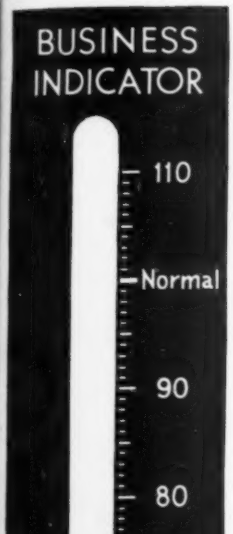
MARCH 30, 1932

THE BUSINESS WEEK



The only concrete accomplishment of Administration anti-deflation measures so far has been to reduce bank suspensions and currency hoarding, postpone railroad receiverships, steady security markets, support federal financing and increase bank liquidity . . . . . No evidence of credit expansion is yet forthcoming, and opposition among bankers to further aggressive easy-money pressure by Federal Reserve policies is developing . . . . . Most business indicators continue to recede, aside from spurts in coal production and shipments due to weather and strike conditions . . . . . Steel activity still waits upon a spring pick-up in automobile output, and this in turn upon Ford plans . . . . . Merchandise freight distribution and department store trade continue to decline, partly under unfavorable weather factors. Hesitancy in the heavy industries is contributing to declining power production . . . . . March building figures show the consequences of almost complete suspension of public improvements, which is offsetting the slight, sporadic improvement in employment stimulated by local drives . . . . . Commodity prices have weakened acutely in the past week . . . . . Prospects for improvement in the business picture in the next two months depend principally upon the outcome of the automobile sales drive under way, alteration in banking attitude toward credit expansion, and settlement of the federal tax issue . . . . . A pronounced pick-up in domestic business before June will help offset further disturbance due to European political and financial difficulties likely to come to a head by that time . . . . . Encouraging developments in England and the Orient are counterbalanced by increasing strain on the Continent.

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THUGS SHOOT, ROB CASHIER

CRIME fills America's newspapers—and one of the contributing reasons is insufficient lighting of American city streets.

Thieves hate bright lights. Well-lighted streets make escape difficult, and identification and capture more certain. Statistics prove it.

If you are a banker you have other people's money to protect. If you are a manufacturer, or a merchant, or a store manager you have payrolls and receipts that may fall easy prey to bandits because of *Twilight Zones*★ in your city.

With these great responsibilities to yourself and to others, resolve to do everything you can to have every street well lighted. Don't leave it to "the other fellow". If you do, it won't get done.

Sometime you will be the loser—perhaps a heavy loser. Help make crime difficult and punishment swift and sure. Join the fight for better light. Don't stop until there isn't one dimly lit street in all your city.

Twilight Zones★ make crime easy and it never pays to give criminals "an even break".

★ **TWILIGHT ZONE**
The deceptive half-light between obvious darkness and adequate illumination

Westinghouse Mazda Lamps

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This Business Week:

Signs

Critical indicators show little change this week. *(p. 5)*

Washington

The House, roused by protests from home, broke ranks, defeated the sales tax in a whirlwind surprise attack. Thus begins a revolt which may realign parties and politicians on a broader plane. *(p. 5)*

Changed though it may be, the new Glass bill is the same old deflationary medicine. It will need a lot more changes before it passes. *(p. 7)*

Reconstruction Finance, in theory, is liberal and confidently open-handed; in practice, it's cautious and conservative. *(p. 6)*

Marketing

Mass marketers have learned to let fashion merchandise alone. Complicated with the shift from mail-order to chain-store, it proved fatal to Bellas Hess. *(p. 10)*

Poison to some, fashion is food to others; American Woolen hopes to get fat on its new style diet. *(p. 8)*

Celotex is teaching its dealers to borrow successful sales methods of other lines, sell on price. *(p. 8)*

Eberhard Faber is waging a lone fight to bring the whole pencil industry into line, stop price-cutting. *(p. 9)*

It's no longer news when Mr. Hill's tobacco company has a good year, but last year was the best ever. *(p. 14)*

Motors

Ford is still fussing over the 8. While he's slowly accelerating to full volume, Chrysler is readying his Plymouth with a new body and lower prices than ever. The whole industry begins the delayed spring push. *(p. 9)*

Transport

Box and bag makers have new, external competition: General American Tank Car ("Pullman of the freight field") has developed the Dry-Flo car to handle bulk shipments of dry commodities swiftly and economically. *(p. 11)*

Railroads expand the pickup and delivery idea for passengers. *(p. 22)* Both the roads and the buses are striving to cut the cost of passenger traffic by cutting the weight of the cars. *(p. 22)* There'll be fewer extra-fare trains on the new schedules. *(p. 23)* Pullman can't charge extra for two-in-a-berth. *(p. 23)*

Production

Trouble flaring up in the coal fields makes timely the coal stabilization bill hearings in Washington. Operators would like the benefits, but they don't want to pay for them with union recognition. *(p. 12)*

Rubber producers have at last decided production can't be controlled: too many native independents who are too independent. *(p. 28)*

Regardless of the constitutional right of every American to fail for himself, Justice Brandeis doubts the wisdom of adding more production to an already over-produced industry. *(p. 13)*

Labor

The Gentleman from Wisconsin continues to fight for federal relief; hearings on the LaFollette bill confirm the feasibility of this plan to manufacture purchasing power by a \$5½-billion public works program. *(p. 13)*

In the fierce light of depression, business is coming to see the need of some kind of job insurance; now comes the National Metal Trades Association to say it ain't so. *(p. 14)*

Economics of Economy

Exorbitant though the cost of government may be, the actual operating expense is only 8% of the grand extravagant total. In this minor portion is included the maintenance of all those bureaus and commissions which are being nominated so vociferously for the economy axe. *(p. 18)* If we really want government economy, the price is marked in plain figures. *(Editorial, p. 40)*

Municipal expenditures, too, are being eyed appraisingly by the economy executioner. Admittedly high, their increase has been exaggerated by changing dollar value. Taxpayers who howl around city hall must think schools, streets, and reservoirs grow on trees. *(p. 16)*

Foreign

Our exports are back on a pre-war basis, now total about half the 1928 volume; other nations show similar effects of the world's trade-at-home policy. *(p. 28)*

Expansion of the French import quota system indicates the anti-American, pro-European trend of French foreign trade policy. American business protests the unfairness of the system, threatens retaliation. *(p. 30)*

World business, according to last-minute cables, watches Stockholm, Berlin; is most interested in the coming Danubian and Lausanne conferences. *(Survey, p. 32)*

Figures

Only coal and shipments show noticeable improvement, due to unexpectedly cold weather. Steel operations are being held steady with difficulty. Motor production marks time. March residential construction to date shows substantial gains over low February totals, but public works activity is petering out rapidly. *(p. 36)*

THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending March 26, 1932

Economic Issues Take Form In the Sales Tax Revolt

But many of those who joined it for political reasons have failed to realize what is happening

WHATEVER deep economic forces are behind the Congressional "revolt" which came to a head in the House sales tax battle this week, some of the immediate causes have become fairly obvious.

The most effective work in raising the opposition to the tax program was done, not by so-called popular leaders, but by politically-skilful manufacturers whose dislike of a sales tax has been increased by the conviction that they have small chance of passing it on to the consumer in the present competitive and market situation. Washington remarks that it has never seen the meat packers do so effective a job, talks of "inspired" protests from farmers. This being an election year, the arguments of large employers are particularly persuasive.

Recent Converts

There have been some economic conversions in the House, though there is a question as to whether all of the converts realize the implications of their adoption of such tenets as that represented by the statement that it really isn't necessary to balance the budget.

What has chiefly upset the judgment of House and Senate leaders, not to mention some very expert advisers, has been the rise, despite all the advance ballyhoo, of an active group which refuses to see any disastrous consequences in letting the government go a few more billions into debt during the depression and paying it off when the sun is shining again. Incidentally, of course, this group has its fringe of gentlemen who did not want to take the political risk of voting for a sales tax and were, at the same time, unwilling to vote for the only substitutes so far proposed that promise sufficient revenue to balance.

Behind, or filtered through, all these forces of revolt are the hosts of "Bryanism." This depression, like all others, points political fingers toward the rich. And the rich are losing political influence. There are deeper reasons for this but an important one is that unpleasant Senate investigations have made them increasingly chary of coming down handsomely for the party campaign chests. To put more taxes on the rich is, generally speaking, a popular vote.

Some of these votes ignore the objection that higher rates on big incomes will bring in less revenue than lower ones; that they will drive wealth into tax-exempt securities and—as soon as it can find any place to go—out of the country; that tax receipts based heavily on big-income returns collapse heavily during a depression.

But some of the "radicals" know pretty well what they are doing—or aiming at. If high taxation of big incomes drives capital into tax-exempts, they are perfectly willing to make it cheaper for municipalities and states to finance government ownership schemes and, at the same time, make it more difficult for private enterprise to finance itself. They have been saying that more governmental construction activity, for instance, will mean more jobs, more wages, more purchasing power and, thus, an earlier resumption of the pre-depression rate of consumption. They doubt the competence and courage of private credit to clear the decks and fight its way out of the slump. A few of them suspect that, at the new production capacity of a machine-equipped, electrically-run world, demand will never catch up with supply until some of the investment power concentrated in large fortunes has been converted into widespread consumption power.

Critical Indicators Show Business Is Marking Time

LATEST "What to Watch" indicators show some weakening in the banking picture, and no effects on credit expan-

What to Watch

These figures will be first to reflect the effects of the administration's war on depression. Encouraging changes are marked with a ★ (see accompanying text for details)

Indicators	*1932*	*% Change in a Week*	*% Change in a Month*
These should be earliest to show progress:			
Money in Circulation	Mar. 23	—0.8★	—2.0★
90 Stocks (Standard Statistics)	Mar. 24	—5.2	—6.7
40 Bonds (Dow Jones)	Mar. 24	—0.9	+0.6★
Brokers' Loans	Mar. 23	—6.6	+7.2★
Member Bank Borrowings from Federal Reserve (Bills Discounted)	Mar. 23	+0.7	—20.3★
Federal Reserve Open Market Policy (Holdings of Government Securities and Acceptances)	Mar. 23	—3.3	+4.9★
Bank Suspensions — Number	Mar. 17e	—9.1★	—64.3★
U. S. Gold Stock	Mar. 23	+0.2★	+0.7★
Member Bank Reserves	Mar. 23	—0.4	+1.8★
These signs should follow promptly:			
Total Loans and Investments of Weekly Reporting Member Banks	Mar. 16	+46.6★	—0.7
Fisher's Wholesale Price Index	Mar. 18e	—0.3	—0.9
The Business Week Index	Mar. 19e	—1.7	—3.9
Employment — Manufacturing (89 industries)	February	....	+1.2★

eWeek Ending

The Business Week

sion or business as yet from the strengthening in previous weeks.

Currency in circulation decreased, continuing the movement during the past month. No marked change occurred in bank suspensions.

Borrowing of member banks from the Federal Reserve rose in the week. Member bank reserves declined, indicating a falling off in deposits, and probably in loans and investments for all member banks during the week ended March 23.

Loans and Investments Up

Loans and investments of member banks rose sharply during the week ending March 16, but this was due mainly to investments in government securities accompanying the March 15 quarterly federal financing. They did buy some other securities, but loans declined, indicating that the banks are not expanding credit to business as yet.

Federal Reserve open market operations were disappointing. Holdings of government securities and acceptances together declined, after several weeks of steady open market purchases of governments. This indicates that, at least in the New York money market, Reserve pressure upon the member banks to expand credit has relaxed.

The only favorable item in the financial list is continued increase of gold stocks; but this is no longer of much importance since the Glass-Steagall bill provides ample gold for credit expansion, and the problem is to get the Reserve System to use it.

Income Tax Receipts Are Running 40% Behind

INCOME tax payments for March, the first made on 1931 incomes, are running more than 40% behind those of March, 1931, on 1930 earnings. Through March 22, latest available date, the receipts were 41% below according to the Treasury daily statement. In actuality they were even lower than that figure, because of a shift in Treasury accounting which includes one additional day this year.

This total also indicates receipts are somewhat below the estimates submitted to Congress in December. The Treasury then foresaw a drop of 38% in income tax payments for this fiscal year. Through the year to date, and on the out-of-line statements, receipts are 43.3% behind. The Treasury subsequently revised its December estimates downward, says present payments are about as contemplated in the revised guess.

Reconstruction Policy Is More Liberal in Theory Than Practice

THE meeting between President Hoover and the railroad executives in Washington has brought the question of the Reconstruction Finance Corp. policy sharply into focus. Publicity on the corporation had led to the general belief that a very liberal policy of advancing funds was to be followed. This view was strengthened by the appointment of General Dawes, who is reported to favor strongly such a plan.

In practice, however, the results have proved somewhat different. Instead of lending liberally with the primary thought of instilling confidence, a very cautious policy aiming at conservation of resources has been followed. Loans have been made only in pressing emergencies. This practice is attributed to Eugene Meyer, the chairman.

The railroad leaders seem to have been disconcerted at this policy, and worried as to whether their needs would be met. Following the meeting at the White House Mr. Hoover gave public assurance that all necessary funds would be provided. Though he did not reveal the source from which these funds would come, he sharply reminded the banks that they were supposed to lend normal amounts, and expressed the belief that the railroads could soon begin to raise money in the bond market.

The statement apparently was aimed to bring more moral suasion to bear on the bankers, and at the same time assure investors that railroad bonds were safe, thus helping the bond market.

Apparently, Washington still hopes to get the benefits that would accrue from a liberal lending policy, while actually practicing a most cautious one.

Compromises Clear Way For Home Loan Bank Bill

PROSPECTS for early enactment of the bill to create a Federal Home Loan Bank system have brightened considerably in recent days, after being somewhat clouded earlier. Attorneys are now working on a compromise provision to remove some objections to the bill and facilitate admission of commercial banks and trust companies to the system along with building and loan associations, savings banks and life insurance companies.

The bill is one of the basic features of the President's reconstruction program, and the only major point on which some action has not yet been taken. It would establish a system of 12 mortgage rediscount banks throughout the country operating under a central board in Washington and armed with government-subscribed capital to be repaid from subscriptions of those using the institution. The aim is to ease the stringency of mortgage money although deeper analysis indicates that the measure would have greater long term value than immediate worth, especially in standardizing construction.

Present prospect is that the House subcommittee will report favorably on the measure in the near future. Most of the members approve the measure and hope to secure passage soon after the tax bill is out of the way. Meanwhile, the Senate bill is virtually sleeping in a subcommittee of which Senator Watson is head. However, friends of the bill hope to put it through the Senate when it arrives from the House.

Gift Tax Will Offset Restriction on Death Tax

INHERITANCE taxation practice will be somewhat changed as a result of the Supreme Court decision this week that gifts made within 2 years prior to death cannot be presumed to have been made in contemplation of death. This affects both federal and state taxation, for several states have laws worded similarly to the federal ones.

The section of the 1926 revenue law involved has been the government's principal weapon against evasion of the inheritance taxes, and Department of Justice officials concede that the decision will be a serious blow to efforts to collect back taxes. Henceforth, the government will be forced to establish in every case that the gifts were made in contemplation of death. The court held, in effect, that the government had pressed the doctrine of presumption too far.

However, the Treasury can still count on getting most of the $55 millions which it expected to collect in death taxes in the next fiscal year. Since the new bill levies both gift and inheritance taxes the net loss in revenue should be limited to the difference in rates on the 2 items.

Acme

Too Many Fingers—*The Ways and Means Committee thought it had the tax pie all ready for the oven, but the House didn't like the sales-tax flavor. Waving warning fingers are Representatives Connery of Massachusetts, Kvale of Minnesota, Swing of California, and the doughty La Guardia of New York, who marshalled the insurgents*

"New" Glass Bill on Closer Look Reveals the Same Old Faults

It still is an attempt to bring back old customs, harry Wall street, and discipline bankers

Despite numerous patches and modifications, severe deflation is still the theme of the new Glass banking bill brought in this week. Supplementing this major theme are variations of prejudice, severe restriction on business and banking, and establishment of an extreme financial autocracy. The whole bill is the expression of one section of anti-banking, anti-Federal Reserve agitation.

The motivation as revealed in the bill's dedication to "better banking" certainly arouses general sympathy. A few of its provisions are constructive. But taking the bill as a whole, these are overwhelmed by the defects which already have provoked irate condemnation, and have destroyed any possible harmony among those seeking legislative reform of banking. There seems very little likelihood that the bill will be made law in anything like its present form.

3 Major Aims

The bill has 3 major aims: (1) improvement of Federal Reserve practice and operation; (2) establishment of machinery for the payment of depositors in closed banks; (3) better and stronger commercial banking. The third has 4 distinct subdivisions: (a) restriction of speculation and security dealing; (b) curbing chain and group banking; (c) limitation of security affiliates; (d) changed banking methods.

In such summary, the aims of the bill arouse little or no opposition.

The provision for payment to depositors of closed banks is an especial sugar coating to the whole bill. It provides a Liquidating Corp. for 20 years' duration to which the Reserve Banks are to subscribe one-fourth of their Dec. 31, 1931, surpluses and annual amounts thereafter, and to which member banks are to subscribe ½ of 1% of their deposits. From this fund depositors of closed Federal Reserve members are to be paid at once the amount of the good assets in the closed institutions. In addition, $200 millions is appropriated from the Treasury to provide similar payments to depositors in non-member banks for a period of 2 years. It has been argued that this is a first step toward the guarantee of bank deposits.

Contrasted with this provision are some of the measures aimed to achieve stronger banking and to restrict security dealing. Bank investments would be limited to 15% of their capital and 25% of their surplus, a provision which one careful statistician has estimated would cause the dumping of about $5 billions of bonds—enough to cause utter demoralization of the bond market. Another measure would cause a heavy increase in reserves, estimated at more than $800 millions. While this might strengthen the position of remaining deposits, it would cause the destruction of more than $8 billions of bank credit—more than the total reduction of bank credit among all Reserve members through the entire depression to date. Still another clause would compel many banks to increase their capital.

Curbs for Bankers

Numerous other provisions are designed to restrict banking and security operations. These include vesting dictatorial power in Washington officials, imposition of a penalty interest rate on certain types of loans, extreme limitation of bank affiliates, limitation of real estate loans. Strict limitations are put on chain and group banking—so strict that the intention seems to be to destroy. Power is given supervisory officials to remove from office any banker carrying on undesirable practices.

Wider branch banking is included as a device to attain better conditions. National banks would be permitted to establish branches wherever state banks have that privilege. Furthermore, the national institutions would in some cases be permitted to cross state lines with their branches—recognition of the trade area principles so long advocated by John W. Pole, Comptroller of the Currency.

Extensive increases in the power of the Federal Reserve Board and the Comptroller are contemplated, power so

broad as to make them virtually autocrats as well as supervisory officials and credit managers. They would have unprecedented responsibilities for the whole economic activity of the nation.

Beyond all these things are still to be found the provisions of the first Glass bill. Business is to be forced to stop financing itself by securities and to return to short-term commercial paper. Banks are to be forced to become again the old style commercial paper institutions. The Federal Reserve system is to be purified and its control strictly centered in Washington. New York is to be shorn of much of its financial power.

Alterations from the first Glass bill (*BW—Feb3'31*) do not much change the effect it would have. Direct limitation of the use of business funds is no longer included. Reclassification of Reserve cities is not mandatory. Provision for special reserves for savings accounts is omitted. Capital requirements are somewhat changed. One arbitrary restriction of security loans is deleted, and loans for "others" are not mentioned. Trade area branch banking is a new provision.

The New American Woolen Is a "Style House"

LIONEL J. NOAH, president of the American Woolen Co., announces another step toward intelligent styling of his product. Monsieur Paul Brion, habitat Paris, occupation fabric designer and technician, will direct the making of certain lines to be put out by the American company. This move agrees with the purpose which placed Mr. Noah, a merchandise man, at the head of this manufacturing colossus, indicates the abandonment of the ancient rule which was to turn out vast mileage of standard cloths and let someone sell it if he could.

Specialty Lines

Fabrics for men constitute a fairly steady and stolid section of the business. But the gods (and Paris designers) have aided the woolen mills by turning women's styles in this direction. Here American Woolen sees inviting possibilities for expansion. If intelligent designing plus mass production can bring attractive styles into the reach of the less-wealthy, large manufacturing benefits should result. That is the job that faces the good M. Brion. He will show his stuff on the fall 1932 line which will be presented to the market in 60 days.

The new management of American Woolen displays an active courage that ought to be an example to executives afflicted with castanets of the knees. In addition to the general ailments of the textile industry, this vast company had complications peculiar to itself. It had labor troubles, finance troubles, merchandise troubles personified by the lofty pronouncement of former reactionary executives that "We are not a style house."

The beneficent results of skilled surgery are evident in the report for 1931. A 40% improvement was shown by the reduction of loss from $4,897,585 in 1930 to $2,836,826 last year. By a simple prescription in bookkeeping, the stockholders this week voted to change a paper deficit into a substantial surplus. At the end of '31 the book deficit was $17,738,679, represented almost entirely by unproductive properties. The Textile Realty Co. was formed to take over and liquidate dead properties.

Capital Reduced

To change the book deficit into a book surplus, the $100 par common stock was changed to capital stock without par value, but a stated value of $5. A reduction of authorized preferred shares also was voted. Interest will be saved by a cut last year of $11,584,000 in indebtedness on plants and New York properties. The company closed 1931 with $14,8[illegible]355 in cash and U. S. bonds. Net current assets, $40,769,245. Active plants have been modernized, improved machinery added.

New Celotex Sales Plan Stresses Price of Jobs

PRICE advertising is the theme song of Celotex Co.'s new "Price-Mark Plan," designed to show the company's 5,000-odd dealers how to merchandise homes, garages, chicken houses, breakfast nooks, finished attics, and other similar merchandise through use of methods that have proved successful in selling radios, refrigerators, washing machines, and automobiles.

C. E. Stedman, vice-president, tells both his salesmen and the dealers they visit that—

(1) There is just so much money in each community.

(2) This money is finally spent for needs and desires promoted by advertising.

(3) In the fight for the consumer dollar the best advertiser gets the decision.

Heretofore building materials dealers

FOOD BY AIR—*The lake freighter "Fellowcraft," caught in the ice on Lake Erie, gets food for its crew of 20 via airplane from Detroit*

have been sadly out-advertised and out-merchandised. It is now up to them to reform, to get busy doing the things that others have done to get business.

Sears, Roebuck advertised a summer log-cabin in the New York *Herald Tribune* last year, with the price given, $750. It brought over 750 inquiries, $560,000 of potential business, at a cost of $445.80. This and other specific information about use of advertising by the industry is passed to salesmen and dealers.

What the results will be from this campaign remain to be seen. During the first 2 weeks some orders were received.

Many intelligent and practical plans for building business for local lumber yards and building material merchants have broken to pieces upon the rock of apathy and sales inertness. It is estimated that not more than 15% of all building material dealers are able to take a modern merchandising plan and use it intelligently.

There is little hope that the building materials industry will reform itself by application of bright ideas that have been successful elsewhere. It is more likely that another system will develop that will sell homes and buildings built in new ways, by new methods, by new groups of workmen.

Ford, Chrysler, General Motors Start Big Sales Drive in April

MR. FORD will launch his new V-8 at the price of a 4, and a new and lower-priced 4 early in April. Walter P. Chrysler will announce on April 3 "America's more for the dollar car"—a new and better Plymouth at about the same old prices. Simultaneously, General Motors will stage a nationwide sales program featuring exhibitions in 55 cities of its complete line of automotive and other products.

Thus, with the start of April, the 3 largest automotive units, which made 83% of 1931's total automobile sales, will launch a tremendous spring drive to loosen the safety pins from thousands of pocketbooks and start the long-awaited assault on the nation's market places by erstwhile bedridden consumers. Industries whose sales depend heavily on the automobile manufacturers' demand for their products will cheer from the sidelines, lend a hand where possible. All industry will watch for signs that the automobile campaign is furnishing the impetus for a general advance.

Production at the Ford plant at Rouge is progressing slowly. Mr. Ford personally stamped No. 1 on a V-8 on Mar. 10; output soon went to 100 a day, then to 200 a day; it should be at 500 to 1,000 a day by the end of the month. Report has it changes are still being made in the car. Ford now has over 200,000 orders on hand for the new 8 and 4. Some people have made a small down payment to secure an early car, expecting later to sell their position at a profit. Over 70,000 men are now employed at Rouge, about half of them 5 or 6 days a week.

In 1928 Ford took months to raise production to a volume basis; there is little reason to believe he can move much faster now. Competitors figure that Ford will have his hands full all of this year taking care of business which naturally will flow to him without indulging in much competitive selling. This is one reason why Chevrolet will not jump into the market with an 8 to match Mr. Ford's. It regards itself as in a commanding position just now; Mr. Ford is the one on the defensive this time. By the time competition actually becomes keen, it will be late in the year when Chevrolet will be ready as usual to offer new models.

Rockne already has turned out 5,000 cars; its March schedule is 6,000 cars. Plymouth is making 18,000 cars this month.

Plymouth's Prospects

The new Plymouth is still a 4 but with 112-in. wheelbase, 65-hp. engine, heavier streamlined body; automatic clutch plus former features of floating power, free-wheeling, easy shift transmission and hydraulic brakes. Plymouth will continue to offer its Thrift models—standard models stripped of gadgets and deluxe features selling for $60 to $80 less. Mr. Chrysler hopes to sell 200,000 Plymouths this year, has 10,000 dealers to help him do it. Making its first serious bid for leadership in July, 1931, this car last year more than doubled its percentage of the industry's business.

Ford has stymied producers of cars up to the $1,000-$1,500 class, pending the showing of his new cars. Buick has attempted to overcome the public's watchful waiting policy by launching a gigantic publicity and selling campaign on its low-price models at a cost of $1,000,000, involving the sending of 1,600,000 telegrams to prospective customers.

Pencil Company Marks Off the Price-Cutters

THE Eberhard Faber Pencil Co. announces a step toward sales sanity which it hopes will be followed by a now hysterical market. It deals a direct blow to price-cutting by refusing to sell any company which is unfair to other Faber customers. Eberhard Faber's pronouncement admits that it cannot accept the aid of distributors nor set fixed re-sale prices. Those things are illegal. But it can choose its customers. It proposes to sell only to those who accept the creed it lays down.

Like others one might name, the pencil business had become a nightmare in which manufacturers, wholesalers, and distributors deserted their rightful channels to grab business wherever and however they could. Faber admits past sins but announces its reformation. It says that in the long run manufacturers won't profit unless distributors do, that distributors will support the manufacturer who works for the mutual good. The company then pledges itself:

> To sell only to distributors, not to consumers.
>
> To restrict customers to distributors who resell at reasonable profits to themselves and other distributors.
>
> To refuse merchandise to wholesalers who resell to consumers at prices unprofitable to Faber's retail trade.
>
> To protect wholesalers by not selling to small retailers.
>
> To refuse merchandise to any retailer whose prices are unprofitable to the rest of Faber's retail trade.
>
> To see that each customer resells only to customers which his type of business entitles him to serve and at prices fair to the rest of that trade.

Here is an attempt by a single company to bring an industry into line. A Faber official says they will stand or fall on this policy. Competitors contend they don't mean it, but the company points to a quarter million dollars worth of orders refused since the policy went into effect on Feb. 14. The management realized that in a price-

crazy market the first effect would be loss of business. But it is shooting for the longer pull, is certain future gains will offset present depreciations. Even price-cutters admit Faber is right.

Business has been pretty terrible. The eagle eye of expense cutters has reduced the use of pencils. One bank now furnishes each new employee one mechanical pencil and one tube of leads. When the tube gives out, the employee must supply his own leads. Also small retailers were short-circuiting regular channels to buy 1 and 2 dozen orders from the Faber factory. Parcel post business grew until trucks had to be increased from 1 to 7. Now Faber passes the small retailer back to the wholesaler, where he belongs.

San Francisco Packers Find Advertising Pays

It is possible to increase the per capita consumption of meat — so the San Francisco Bay packers, retailers, and stockraisers conclude after a 6-month campaign by the Pacific Livestock & Meat Institute, Ltd. (*BW—Apr8'31*).

Total consumption of meat in the San Francisco Bay district increased 7½%, or 5,500,000 lb. at a retail value of $970,000, during the last 6 months of 1931 (the campaign months) as compared with the same 6 months of 1930. This means a per capita increase of 5 lb.

Those familiar with meat consumption in that area say that this increase is not merely the natural result of the drop in the price of meat. They point out that, while consumption of pork increased 1.1% for the whole country, it went up 7% in the San Francisco Bay district; lamb gained 7% in the United States, but 14.7% in San Francisco; beef lost 0.5% in countrywide consumption but gained 0.5% in the Coast city.

Newspaper, poster, and radio advertising were used to bring about these results—and the cost of the campaign amounted to 0.07% of the total retail sales in the area or 3% of the increase in retail sales.

The Pacific Livestock & Meat Institute, Ltd., declared the plan successful and the members stand ready to finance a continuation of the same — so the "Meat is Energy" campaign continues.

1 Mail Order Company Advances; 1 Reinforces; 1 Retreats

While Sears, Roebuck and Montgomery Ward trim their policies to the shifts of consumer demand, an important rival plans to dissolve. On April 4 stockholders of National Bellas Hess Co., once the third largest mail order house, will act on the decision of its management which advises liquidation.

Factors that have been defeating Bellas Hess are: Difficulty of selling style merchandise—which defines most its lines—by the slow process of catalogue and mail; allowing mail-order technique to hamper retail stores which were opened; burdens of high leases on retail locations, most of which were made at 1929 peaks. Mail order goodwill is slow of development. Critics say Bellas Hess tried to push ahead too fast, cite its distribution of 5 million catalogues as "over-circulation."

The big Chicago houses see little effect on the market by the Bellas Hess withdrawal. They say mail order buyers get more than one catalogue, that they will simply shift orders to surviving companies.

Meanwhile, the latter are doing things to insure their survival. The spectacular opening of the Sears store in the Chicago Loop was followed by announcement that the company was invading the rich territory of New York's metropolitan district. Million-dollar stores will be erected immediately in Brooklyn, Hackensack, and Union City, N. J. A Sears store in Manhattan is a possibility for other retailers to worry over. Joseph Givner, Sears' brilliant young general retail sales manager, came to the company from Massachusetts Institute of Technology via Saks–Fifth Avenue, and it is not likely that he will forget the buying millions who swarm the New York centers.

A million visitors the first 12 days and sales ahead of estimates convinces Sears that its new Chicago store has the correct formula for big-town operation. It benefits outlying Sears' stores by using the same advertising, by convincing city buyers that Sears can supply them as well as farmers and small towners. The store is something new under the retailing sun. It operates under a percentage lease at the old Siegel-Cooper stand. The 4 floors are flooded wit light, are decorated in cheerful cream and buff. Merchandise is compactl displayed in logical sequence. Th buyers are saved tiresome steps by succession of floor coverings, curtains draperies, electric fixtures, wall paper pictures.

Something for Everybody

Tombstone sales have surprised th management. Chicago's wealthy hav a convenient display of equipment fo their outlying farms. The dentist is no overworked but he meditates upon th fountain doing a $7-per-seat-per-da business in soft foods and hopes fo the future. The bird store is doin nicely—while the notes of canaries (wh haven't heard about the depression) ad aural cheer. Hillman's, premier Chi cago food merchants, operates a hug grocery in the basement.

Retail overhead is cut to the bon The same buyers serve all the 6 Sear retail stores in Chicago. Requisition center at a headquarters already adep in the art. An unusual percentage o the retail personnel consists of sale makers. Sears expects the new store t add $15 millions to $18 millions to i annual volume.

Reorganization of Montgomery War & Co., under President-Chairma Sewell L. Avery, continues apace. regional division is announced whic is reminiscent of The Great Atlantic Pacific set-up. The territory will b divided into 6 districts, each in th charge of a sales manager. There wi be 1 qr 2 mail order houses and som 80 retail stores for each satrapy. In hi territory the manager will coordina retail stores with mail-order deman will fit merchandise to that particul market.

Simplified Control

Central control will operate throug 3 departments under the direct supe vision of Mr. Avery. They are me chandising, operating, financial. T first 2 will be headed by vice-president the last by the treasurer. Harry Hughes, formerly vice-president charge of mail orders, will be the ne vice-president in charge of operation David T. Webb was renamed vic president for merchandising. R. Bear, secretary and treasurer of U. Gypsum, is acting treasurer for Mon gomery Ward. Walter G. Baumhogge formerly vice-president in charge retailing, becomes vice-president for t Chicago region. This simplification control cuts overhead and makes f better coordination from the preside down to the lowliest porter.

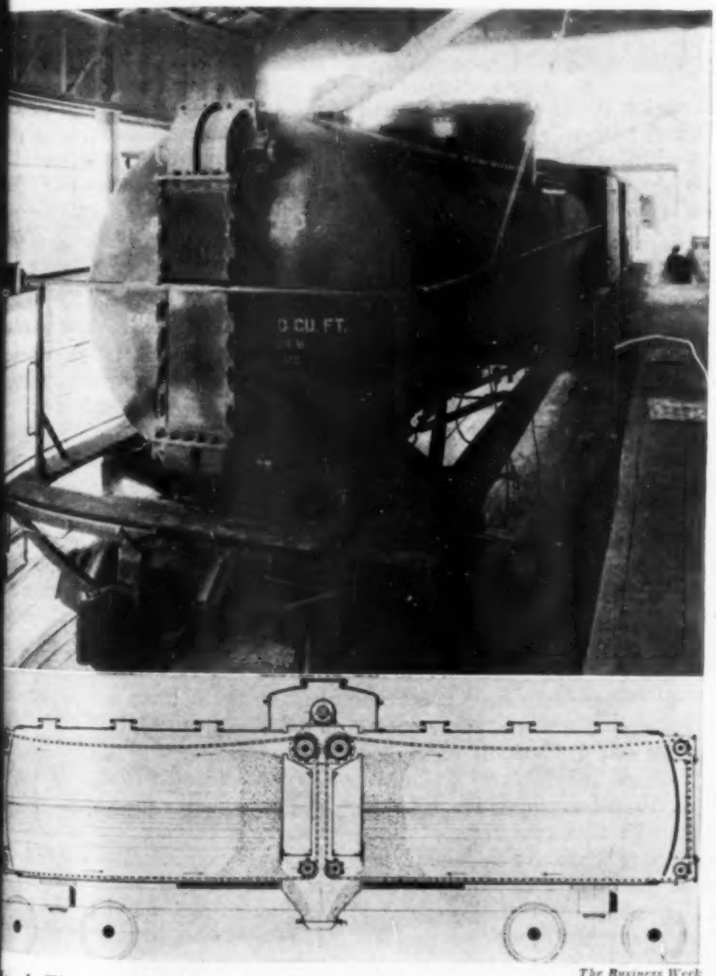
"Dry-Flo" Tank Car Turns Packaging Costs Into Profits

With use of conveyor unloading device, cement, for instance, can be shipped like gasoline

WHILE the second annual "Packaging, Packing and Shipping Conference" was under way in Chicago, General American Tank Car Corp. announced that it was finally ready to talk publicly about its new "Dry-Flo" car, the main object of which is to make considerable packaging and packing unnecessary and so turn the cost thereof in profit.

Such is business today. Competition always coming from a new and unexpected source. Few, if any, men at the conference gave any thought to the possibility of "the Pullman company of the freight field," with headquarters a few blocks away, coming into the field as a big competitor of those who make sacks, boxes, barrels, drums, and other containers.

A "Dry-Flo" car is an ordinary tank car of the type used in gasoline business. Inside is conveyor equipment by which it unloads itself through a single hopper at the bottom center. A substance as dangerous to handle as arsenic, or as disagreeable as bulk cement, can be loaded and unloaded without danger, loss, or inconvenience, because the whole process is mechanical and under seal.



The Business Week

HOW IT WORKS—*The Dry-Flo car, developed by General American Tank Car to handle economically bulk shipments of dry commodities, loads through the top, unloads through a single outlet at the bottom. The unloading machinery is inside the car. Endless-chain conveyors, driven by a motor in the central dome, easily move even hard-packed cement*

Experimental work has been under way for over a year. Finally, after it had been made over 5 times, a car that would handle satisfactorily the most difficult commodities, as cement or dolomite, was developed. This car has been moving over railroads and has carried also pebble lime, hydrated lime, soda ash, crushed slag, and volcanic ash.

Screw Conveyors Failed

The first model had 2 screw conveyors at the bottom inside, each feeding toward a hopper in the center. It was found, though, that when a heavy substance like cement was moved a few hundred miles it packed so solidly that the conveyors wouldn't turn. The car had to be unloaded with buckets.

Endless chain conveyors, one in each half of the car, moving from the center along the top and pulling toward the center at the bottom were provided. A motor in the top center of the car provides the power, greatly stepped up through a gear reducer. Even with the most difficult lading, it works. Cement company officials who went out to inspect the unloading of a car returning from a long test trip frankly admitted their surprise. They expected that "arching," so common in bins where cement is handled, would prevent self-unloading of the cars. It does not.

Savings on Sacks

It is the custom of the cement industry to add 10¢ per sack, or \$2 per ton, for sacking charges. With cement selling for less than \$2 a barrel of 4 sacks, the saving of this cost is \$2 per ton, 20%, split betwen buyer and seller. Such savings, at a time when so much attention is being given to costs, are interesting. Reaction of big shippers who have been privately watching General American's year of experimenting with the new car indicate that there will be wide demand for it.

Savings are not confined to eliminating cost of packaging and labor of loading and unloading. In cases where bulk shipments are in a box-car dust is both a loss and expensive nuisance. In other cases, as of certain chemicals, handling is dangerous and so means added cost.

Estimate of savings, made for an oil company that uses hydrated lime instead of the 10% less expensive and 28% more effective quick lime because the latter is dangerous and disagreeable for men to handle, shows a potential saving

of $3000 per month or $1000 per car, about a dozen times what it will cost the oil company to lease the cars from General American.

Raymond C. Pierce, vice-president of engineering, the man who has had charge of developing the new type of car, points out that in about 20 years the number of cars on American railroads, built to carry liquids in bulk, developed from a few to around 200,000. He sees likewise great possibilities in developing bulk traffic in dry-flowing commodities.

Where movements are regular and in large quantity, as flour from mills to bakeries, or alum from chemical plants to city water plants, greatest use is to expected.

A considerable market for accessory equipment will be created if the new car develops as expected. Link-Belt Co. has made the equipment used inside the cars. This company and others will have to provide equipment to use in loading and unloading. One company selling a food product is considering supplying such equipment to its customers.

General American operates about 50,000 tank and refrigerator cars, leased to railroads and shippers, the average price being well under $100 a month a car and running as low as $32.

Sponsor Coal Stabilization Bill—*Representative Kelly (left) a... Senator Davis, of Pennsylvania, would permit the coal industry to restri... production and fix prices under government control. Operators would li... to be able to do these things, but don't favor the bill because they'd ha... to submit to federal regulation, recognize the unions*

Soft Coal Industry Awaits Test Of Regional Sales Plan

Thinks forced unionization too high a price for government aids to stabilization

Coal has been sick a long time. Labor trouble gnaws its vitals; other fuels menace its markets; internal competition saps its strength. Some of these chronic ills, under present unhealthful conditions, threaten to become acute.

In Illinois, last stronghold of United Mine Workers, unions and operators are struggling to negotiate new contracts to replace those expiring Mar. 31. In Pennsylvania, insurgent anthracite miners have called an outlaw strike. In Ohio the union is striking against wage cuts.

These surface outbreaks of a great underground fire serve to focus attention on what is being done to aid the general condition of the industry in Congress. Hearings are being held on the Davis-Kelly bill, which would lower the anti-trust bars to permit mergers, marketing agencies (like Appalachian Coals, *BW—Jan20'32*), production restriction, and price-fixing under government approval.

The bill legalizes the sales-agency plan, but operators would have to submit to supervision of a federal Bituminous Coal Commission; more important —and this is what stops them—operators would find it practically impossible to operate non-union mines. Organized labor, of course, is strong for the idea.

Opponents admit the right of labor to organize for collective bargaining, but insist on the right of employers to deal with individuals.

Coal Age, probably voicing progressive sentiment, favors development of collective bargaining, looks upon it as essential to ultimate stabilization of the industry, but declares that unionization by legislative fiat is vicious in principle and dangerous in practice.

Senator Davis sees in his bill the on... possible way for the industry to r... itself of destructive competition. Ev... should the regional sales agency plan... declared legal, he points to the utt... failure of previous attempts at stabiliz... tion through voluntary cooperatio... doubts that this latest coal plan will... more successful. Furthermore, he asse... that the sales agency plan does nothi... about the labor problem, most serio... to the industry, and can have little eff... in reducing inter-district competitio... no minor cause of current difficulti...

Another bill, sponsored by Repr... sentative Lewis of Maryland, has simil... aims, arrives at them in different wa... It proposes to provide fair prices al... to miners, operators and consume... equitable allocation of available mark... among natural producing distric... guaranty of existing rights of labor a... reasonable wages. The bill also ca... for a federal coal commission to ope... ate through regional and district cou... cils of operators.

Operators are watching the progre... of these bills but are most interested... the regional sales agency (*BW—J... 20'32*). Popularity of the plan has be... surprising, and an unexpected amou... of cooperation has been obtained by...

Appalachian Coals, Inc. has signatures, actual and promised, of over 80% of the tonnage included in its territory. An early suit to test its legality has been promised by Attorney-General Mitchell but it is doubtful if it will get before the Supreme Court during its present sitting.

Meanwhile preliminary organization activities of other districts has been moving fast, although actual organization will necessarily wait upon the Appalachian Coals decision.

Operators in the districts of West Kentucky, West Virginia Smokeless, Northern West Virginia, Central Pennsylvania, Western Pennsylvania, Ohio, Colorado and New Mexico and Wyoming fields have all had meetings to discuss the plan; have expressed general approval of it; are likely to organize should its legality be upheld.

Brandeis Would Let States Try To Solve Our Economic Riddles

IMPORTANT groups of business men working for repeal, modification, or temporary suspension of the anti-trust statutes and a growing number interested in business stabilization plans found significance this week in a dissenting opinion of Justice Brandeis, Justice Stone joining.

Business men have been talking about the evils of unbridled competition, industry over-capacity. Oklahoma decided to do something about it. A statute required ice manufacturers to secure a license; license would be refused new factories unless a need for additional facilities in the proposed location could be shown.

One Liebman Objects

One Liebman defied the law, decided to put up an ice factory across the street from a going concern despite the fact that he was refused a certificate of convenience and necessity.

Lower courts and now the U. S. Supreme Court have decided Mr. Liebman or any other American citizen has an inalienable right under Amendment XIV of the Constitution to go into the ice business, whether or not there is an adequate factory across the street.

But Justice Brandeis dissents. "Increasingly," he says, "doubt is expressed as to whether it is economically wise, or morally right, that men should be permitted to add to the producing facilities of an industry which is already suffering from overcapacity."

Unemployment Enters

There is general agreement among business leaders that irregularity of employment—"the greatest of our evils," according to Justice Brandeis—can be overcome only by keeping production in better balance with consumption. To accomplish this requires economic control of a sort which is likely to be impossible unless through the equivalent of a certificate of convenience and necessity.

Justice Brandeis says nobody knows the solution to our problems but that experiments should be permitted. "I cannot believe," he says, "that the framers of the Fourteenth Amendment intended to leave us helpless to correct the evils of technological unemployment and excess productive capacity which the march of invention and discovery have entailed. There must be some power in the state and the nation to remold, through experimentation, our economic practices and institutions to meet the changing social and economic needs."

He believes it to be one of the happy incidents of the federal system that a single courageous state may serve as a laboratory for social and economic experiments without risk to the rest of the country. "Denial of the right to such experimentation may be fraught with serious consequences to the nation," he concludes.

Interest in industrial stabilization through some form of economic planning and public control, has grown rapidly during recent years. Many plans proposed by industry—bituminous coal and structural steel (*BW—Feb17'32*)—involve the relinquishment of many private rights for the good of the group. Bills to stabilize industries like coal, petroleum, and others usually include some form of transfer of rights from individuals to the group.

Loans for Public Works Urged To Aid Employment, Business

AT recent Senate subcommittee hearings on the LaFollette relief bill to provide $5½ billions for public works construction, virtually unanimous approval was given the measure by economists, engineers, architects, and contractors. The bill provides for $3¾ billions for loans to local governments for public works, the remainder to be used for road construction and grade crossing elimination.

Economists, including Willard L. Thorp, Amherst College, W. H. Loucks, University of Pennsylvania, M. S. Rukeyser, Columbia University, testified that a large program of public works construction is the best available means to check price declines and to create new purchasing power; that no difficulty should arise in the distribution of the bonds, if they are only issued as needed; that fears of disturbing the money and investment markets are unwarranted.

John Sloan, New York architect, decried the "obsession of balanced budgets," asserted that the LaFollette bill offers the only feasible device for raising the industrial and commercial level of business. Malcolm Pirnie, New York engineer, cited a recent American Waterworks Association survey which showed opportunities for $500 millions of advantageous water works improvement work. John P. Hogan, another New York engineer, said that about 35% of municipal and state construction work has been abandoned this year; continued progress in this direction may reduce it to 50% or 60% of 1931 totals. Instead of loans to cities, as proposed in the bill, he suggested formation of a public corporation, similar to the Reconstruction Finance Corp., which could buy city securities and hold them until they can be resold to the public advantageously.

Fred Schmidt, editor of *Engineering News-Record,* supported Mr. Hogan's position, asserted that contracts let during the first 2 months of 1932 indicate that construction volume may drop to half of 1931 volume unless present tendencies are reversed. He estimated the additional unemployment resulting from shutdown of state and municipal public construction at 1 million persons.

W. T. Chevalier, publishing director *Engineering News-Record,* emphasized the fact that public works pay dividends while bread lines do not; said that, since construction work releases funds for

general trade without increasing pressure of goods on the market, it is the quickest and least disturbing way to correct the existing instability. W. J. O'Grady, American Federation of Labor, stated that the cost of unemployment is much greater than the cost of making employment, predicted that next winter will see as many unemployed as now unless the government makes work.

Metal Trades Group Opposes Job Insurance

THE Committee on Industrial Relations of the National Metal Trades Association has studied unemployment benefit plans and sees little value in them. Viewing European experience, it finds all state compulsory systems unsound and to be avoided. Private plans, it reports, are too recent to permit adequate evaluation of their results—this despite the fact that private employment reserve plans have been in operation in this country for at least 20 years, some of the most successful in plants of association members.

The committee's single cautious suggestion is for reserve funds based upon systematic savings by employees, with benefits payable in proportion to the individual's accumulated savings.

The report is likely to create considerable surprise, for the trend of thought among industrial leaders has been strongly in the other direction.

A few months ago, by an overwhelming vote, members of the United States Chamber of Commerce went on record in favor of the establishment of unemployment reserves. Similar popular approval of such plans has been given by members of the New England Council. Before the Wisconsin unemployment reserve bill was passed recently, the state employers' association was actively engaged in developing a reserve plan for its members. The Interstate Unemployment Commission, representing 6 great industrial states, unanimously approved unemployment reserve plans (*BW—Feb24'32*) and it is quite likely that legislation carrying out the commission's recommendations will be passed by legislatures of several of the states.

The Metal Trades Association report is likely to supply ammunition to those who contend that employers, in general, will have to be compelled to assume such responsibilities through legislative coercion.

Mr. Hill's Tobacco Co. Makes Its Profit as Usual

THE vitality of the great tobacco companies was reaffirmed last week when the American Tobacco Co. announced a new high record for earnings and at the same time unprecedented federal tax payments. Net profits for 1931 were $46,229,527, which was $2,935,000 over 1930. This prosperity did not come rapping at the door. Under the audacious leadership of George Washington Hill, president, the corporation went out in the face of falling cigarette demand and sold goods.

Certainly the wholesale price-raise of 45¢, to $6.85 per 1,000, made by the manufacturers last June, assisted in the magnificence of American Tobacco's showing. But that would not explain the modest statement, in Mr. Hill's salutation to his stockholders, that 1931 saw a "still further increase in our percentage of the total cigarette business of the U. S." Forceful merchandising is the answer to that one.

One sour note invaded the general jubilation of American Tobacco shareholders. On the day Mr. Hill made public his report, minority stockholders won a point in their court fight against the rich bonuses which have been the rule of the management. A temporary federal injunction prohibited bonuses or profit shares distribution for 1931 and 1932. Which is a bit embarrassing since payments for 1931 are said to have been made. (Mr. Hill's stock bonus for 1930 was equivalent to $1,200,000. Some 528 others were rewarded.)

For every $1 the company made last year, it earned nearly $3.50 for the government. Total federal payments for 1931 will reach $158 millions, which Mr. Hill thinks is an all-time record for a single company.

That such productivity is individual and not typical is indicated by recent government admissions of receding tobacco levies. For the first 8 months of the fiscal year of 1932, tobacco taxes were off over $25 millions, to $266,882,231. Cigarette taxes declined $23½ millions, the total being $211,767,796. The shifts in the hard-time habits of devotees is indicated by other government figures. That smoking and "eating" tobacco is on the increase is proved by a rise of $490,000 in their taxes. Also the greater use of papers and tubes is proved by a tax rise in these categories of $206,000. Snuff and cigars declined.

Last month showed a sharp drop in cigarette sales. Compared to February, 1931, there was a decline of 1¼ billions. An adventurous statistician discovered that this loss would supply a single smoker with a daily pack for 172,019 years.

International News

WANTED: PUBLIC WORKS CONSTRUCTION—*Senators Copeland, Metcalf, and La Follette listen while economists and engineers speak in favor of the La Follette relief bill which would provide $5.5 billions for relief through public works*

Your Baker Saves You Trouble and Money

And International Trucks Save Trouble and Money for Him

THE baking industry has grown to great proportions because it renders a great service. It has lifted a burden of drudgery from the tired shoulders of Womankind. Taking unto itself the making of the bread, the cakes, the cookies, and the pies, for which the human palate eternally hungers, the baking industry has emancipated the American kitchen.

Besides that, the scientific methods of the modern baker have done much to elevate the standards of the American household.

And then there is the factor of economy, that every woman knows. If she has no other reason to patronize the baker she does it to save money.

The baking industry sells at low prices because it has learned how to produce and deliver at low cost — and that is where International Trucks come in. Delivery cost is a very important item in this industry, most authorities agreeing that it averages one-fifth of the total cost of bakery operation. In contrast we are pleased to present, at the right, the experience of two well-known baking concerns operating large fleets of International Trucks.

Hauling costs of 5 or 6 cents per mile for quality trucks must interest every user of trucks today, whether he be butcher, baker, or candlestick maker, builder, bottler, or hauler of any other product. Thousands of firms, small and large, in and out of the baking business, have learned that to use Internationals is *to cut hauling costs.*

Records of Chicago and Boston Bakeries Show International Economy

Schulze Baking Company, Chicago, operates more than a hundred International Trucks. Accurate cost records, based on over two million miles of truck travel in twelve months, show operating cost to be only 5¼ cents per mile.

Hathaway Bakeries, Inc., Boston, operate 283 Internationals in the Boston area. Trucks operating more than 600 miles per month (the great majority) do so at the low cost of 5¾ cents per mile. Both Schulze and Hathaway figures include all possible charges except salesman-driver hire.

Whether you figure delivery costs per mile or per hundred pounds of product delivered, your records will show big operating and maintenance savings when International Trucks are used.

Ask for demonstration of the New 1½-ton 4-speed Model A-2. Now reduced to

$615

for the 136-inch wheelbase chassis f. o. b. factory

Other sizes range from ¾-ton to 5-ton. International Company-Owned Branches at 183 points in the United States and Canada.

INTERNATIONAL HARVESTER COMPANY
OF AMERICA (INCORPORATED)
606 S. Michigan Ave. Chicago, Illinois

INTERNATIONAL TRUCKS

High Local Taxes Are the Price Of Higher Living Standards

Search for economies shows that increase has been exaggerated and that it was largely inevitable

THERE is a widespread rebellion of local taxpayers against further municipal expenditures, even against carrying on projects already under way. This movement threatens many public works programs upon which the country is counting for unemployment relief. It worries those who look to such programs for the stimulus to consumer purchasing power required to pull business back to normal levels. And it ignores a lot of hard facts.

Sane economy in governmental expenditure is good policy any time but depression hysteria often turns that good citizen, Dr. Jekyll, into a ruthless and selfish Mr. Hyde who thinks only of his tax bill, not at all of what he gets from it.

The unreasonableness of this emotional change is clearly shown by some hard facts brought out in a comprehensive survey of municipal government costs by *Engineering News-Record*. This gives population growth, rising price levels and advancing standards of living their proper places in the picture—and spoils that picture for those who have been saying that governmental costs have become exorbitant compared with other items in the average citizen budget.

In 1903 there were 146 American cities with 30,000 or more population. Their total expenditures for community services in that year were $514 millions. Each year thereafter that sum increased. By 1919 it had doubled. By 1929 it had risen 482% to $2,987 millions. But in the interval things had happened.

A Rising Demand

For one thing, standards of living had risen, bringing an increasing demand for new and expanded community services. Detroit offers a typical example. Its government, when established in 1824, had 23 functions. They consisted largely of legislation and administration; assessment of revenue; collection and disbursement of funds; enforcement of local ordinances; maintenance of a few public buildings, some unpaved streets and public markets; control of weights and measures; and a modicum of fire prevention.

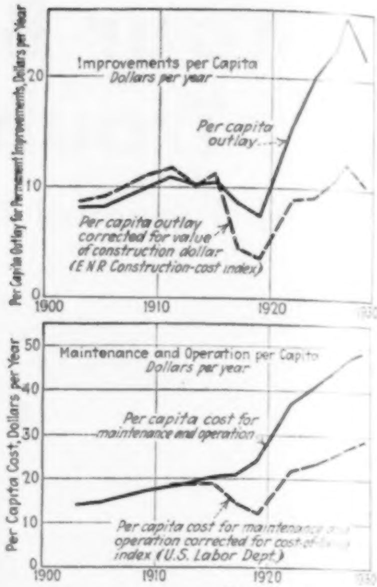
Community garbage collection and disposal was started in 1888, street cleaning in 1895. Since the turn of the century many more functions have been added which reflect our economic and social history: playgrounds in 1904; evening schools in 1905; comfort stations and branch libraries, 1906; public health and nursing, 1908; traffic control, 1909; technical high schools, 1912; junior college, 1917; psychiatric examination for offenders, 1921; public golf courses, 1922; water filtration, 1923; mosquito control, 1925; scientific police laboratory, 1927; airport, 1929; municipal lodging house, 1930.

Effects of Growth

In view of these changes in urban life between 1903 and 1929 even an increase of 500% in city costs begins to look reasonable. But something else happened during that period. Cities grew. Reduced to a per capita basis, the increase was only 216% per in the 26 years and it would have been lower if population had remained stationary.

Analysis of the costs of 250 cities demonstrates conclusively that increasing population inevitably brings a higher per capita cost. The 1929 per capita cost of operation and maintenance in 69 cities of less than 50,000 was $41; in 92 cities of from 50,000 to 100,000 it was $42.71; in 65 cities of from 100,000 to 300,000 it was $44.52; in 11 cities of from 300,000 to 500,000 it was $62.26. In the largest group—13 cities of more than 500,000 population —1929 costs stood at $66.21 per capita.

But the picture is not completed by this retouching. While there have been changes in living standards and populations, there have also been changes in the purchasing power of the dollar and allowance must be made for these. Based on the increase in the cost-of-living index a 1913 dollar was worth only 58.4¢ in 1929. Converted into 1913 dollars the 157% rise in per capita cost of maintenance and operation between 1913 and 1929 (from $19.02 to $48.88) amounted to only 50%. And if only general governmental functions are considered—legislation and general administration, election, of personnel, collection and disbursement of funds and administration of justice—the increase was only 6.5% ($2 to $2.13).



Engineering News-Record

NOT SO HIGH—*The 1903-29 rise in the per capita costs of local government services and improvements is modified when allowance is made for the change in purchasing power of the tax dollar*

When the cost of permanent improvements is corrected for changes in dollar values even more striking results are obtained. It held at a fairly constant level from 1903 to the war years but dropped about $10 per capita from 1914 to 1919. After 1919 it continued to rise until 1927 but even then the real cost per capita was only 6% above the previous peak of 1911.

These contrasts are brought out graphically in the charts at the head of this column.

$24.90 a Month

In 1929, latest year of record, 250 American cities with more than 30,000 inhabitants each spent a total of $3,400 millions upon their government, to supply the services demanded by nearly 43½ millions of people. For such services the typical taxpayer (head of a family of 4.3 persons) paid an average of $20 a month. To this sum he added $4.90 as part-payment on the cost of permanent improvements completed during the month. These 250 cities spent on permanent improvements during 1929, $967 millions, 28% of their total expenditures. Of this $967 millions, 38% went for highways, 17% for education, 15% for sanitation. The remaining 30% was spent for water supply systems, recreation facilities, charities and similar items.

Summarizing its survey, *Engineering News-Record* points out that the cost of

community services, translated into figures that can be compared with other items in the householder's budget, appears not unreasonable. "Doubtless," it says, "many economies can be made. But regardless of economies, we may conclude that the factors which have operated to increase costs in the past will continue to have the same results in the future.

"Population growth continues. Living standards will not be lowered permanently. In the long run, the curtailment of public works can be attained only through the abandonment of our present standards and a return to the habits of primitive days"—wholly improbable events.

And, reverting to the special value of public works programs in a depression, it adds, "Municipal economizing may well be in order but the present is not the time to consider it. Every citizen and primarily every engineer who ponders the facts will, we believe, find them to constitute a compelling argument against stopping public works."

U. S. Civil Government Costs 8%: The Rest Is Debts, War, Subsidies

Were those extravagant bureaus all abolished, the saving would be microscopic

THE breakdown of federal expenditures for 1930, according to the purpose for which the money was spent, shows clearly how microscopic are the possible savings in those activities most subject to current attack. The military functions of government account for 38.5% of federal expense, but nothing is usually said about them for patriotic or special political reasons, in spite of the scandalous waste involved in pensions and services to veterans, which make up more than 20% of the total federal expenditure. The non-functional expenditures, principally fixed debt charges, but including also tax refunds, amount to more than a third of the total. These two classes combined, constituting expenses arising out of past or future wars, relatively fixed by political pressure or public contract, account for nearly three-fourths of the federal taxpayers' dollar.

In contrast, the cost of all the general and civil functions of government amounts to a little more than a quarter of the total, and the regulatory and service functions performed by the bureaus which are supposed to be an unbearable burden on the taxpayer, account for only scattered fractional percentages of the outlay. Some of them are ridiculously small in comparison with their importance. All the

U. S. Expenditures, 1930, Analyzed by Functions

By W. F. Willoughby, for the Institute for Government Research

Functions	Amount	% of Total
1. GENERAL		
1. Legislative	$13,910,748.90	0.35
2. Judical	11,299,752.92	.28
3. Executive	283,877.25	.01
	25,494,379.07	.64
4. General Administration		
1. Fiscal Administration	72,191,785.48	1.80
2. Government supply services	3,744,184.50	.09
3. Public-buildings service	21,945,393.17	.55
4. Civil pensions and allowances and federal payments to civil service and foreign service retirement funds	22,648,721.78	.58
5. Other general expenses	1,799,020.13	.05
Total: General administration	122,329,105.06	3.07
5. Construction of general government buildings, including sites	44,921,384.94	1.12
Total: General functions	$192,744,869.07	4.83
2. MILITARY		
1. National defense		
1. General	$599,234,935.88	15.02
2. Buildings, including sites	13,143,467.76	.33
3. Aircraft	31,197,333.62	.78
4. Naval construction, ships	58.050,214.67	1.46
Total: National defense	701,625,951.93	17.59
2. Pensions: compensation, war veterans, life insurance claims	835,275,349.10	20.93
Total: Military functions	$1,536,901,301.03	38.52
3. CIVIL		
1. Foreign relations	$14,460,125.94	.36
2. General law enforcement	45,245,312.29	1.13
3. Control of currency and banking	12,636,578.40	.32
4. Indian affairs	31,722,665.48	.80
5. Public domain	37,607,955.55	.94
6. Promotion and regulation of commerce and industry	23,414,521.40	.58
7. Promotion and regulation of aerial transportation	8,033,253.99	.20
8. Promotion, regulation, and operation of marine transportation		
1. General	76,731,561.32	1.92
3. CIVIL, *continued*		
2. Capital stock, Inland Waterways Corporation	1,500,000.00	.04
Total: Marine transportation	78,231,561.32	1.96
9. Promotion and regulation of land transportation	7,397,042.80	.19
10. Postal Service (Deficiency in postal revenues	91,772,649.80	2.30
11. Promotion and regulation of agriculture		
1. General	54,905,479.67	1.38
2. Seed grain loans (net)	4,693,972.06	.12
3. Agricultural marketing loans (net)	149,958,273.55	3.76
Total: Agriculture	209,557,725.28	5.26
12. Promotion, regulation fisheries	2,438,808.12	.06
13. Promotion of labor interests	10,256,778.36	.26
14. Immigration and naturalization	9,511,766.24	.24
15. Promotion of public education	14,295,360.10	.36
16. Promotion of public health	19,521,009.63	.49
17. Science and research, general	23,337,466.86	.59
18. Public improvements		
1. Roads	86,239,162.98	2.16
2. Rivers and harbors	67,695,606.36	1.70
3. Flood control	26,690,904.94	.67
4. Other	15,488,666.72	.39
Total: Public improvements	196,114,341.00	4.92
19. District of Columbia, territorial, and other local governments	48,375,821.79	1.21
20. Relief expenditures	1,897,291.05	.05
Total: Civil functions	$885,828,035.40	22.22
4. NONFUNCTIONAL		
1. Refunds, losses, and miscellaneous	159,533,168.20	4.00
2. Fixed-debt charges		
1. Public-debt retirements chargeable to ordinary receipts	554,517,900.13	13.90
2. Interest on public debt	659,347,613.07	16.53
Total: Fixed-debt charges	1,213,865,513.20	30.43
Total: Nonfunctional	$1,373,398,681.40	34.43
GRAND TOTAL	$3,988,872,886.90	100.00

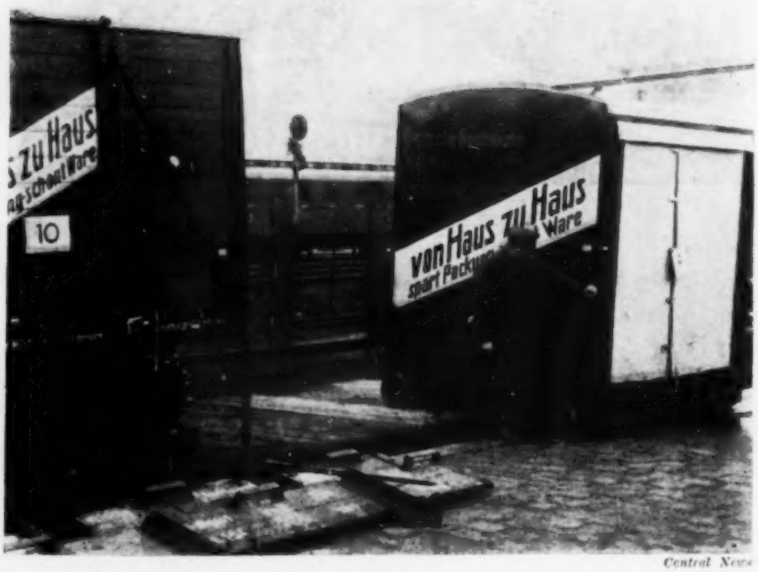
legislative, judicial, and executive activities of the government of the United States cost a bare $25 millions—less than ⅔ of 1% of its total cost. For the control of currency and banking—the importance of which this depression has sufficiently emphasized—we spend less than half what the care of our Indians costs us. The promotion and regulation of land transportation and of commerce and industry in the greatest industrial nation in the world costs about $30 millions a year—less than 1% of the total governmental expense; education and public health likewise; the promotion of labor interests about ¼ of 1%. If all the bureaus and every one of the civil functions, except construction, relief and the loans for shipbuilding and Farm Board loans to co-ops, were abolished, the saving would be a bare 8% of the federal budget. The expenditures for the entire Department of Commerce for 1932-33 will be about 1.1% of the total budget, and of the Bureau of Foreign and Domestic Commerce, established for direct service to all American business at home and abroad—a volume totaling in 1929 a thousand billions a year—amounted to only about 11% of that, or a little over 1/10 of 1% of the total cost of the federal government.

Current proposals for cutting federal salaries also look less important when scaled against the total budget. The most radical cut suggested, 10% flat, including everybody, even Army and Navy, would save 3% of the total budget. The proposal that seems to have more support—a sliding scale bearing heaviest on upper brackets—would yield 1% savings.

New Parcel Post Rates Meet I.C.C. Approval

OVER the opposition of express companies and shippers, the Interstate Commerce Commission has given its consent to a revision of parcel post rates which, the Post Office Department hopes, will add $5 millions gross to its revenue. The commission suggested that the department consider the predicament of mail order houses, just now preparing new catalogues, in fixing the effective date. As catalogues show delivered prices, time will be required for adjustments.

Shippers contend that the new rates—higher on short hauls, generally lower on long hauls than at present—would kill off traffic, divert it to express companies and trucks.



Central News

GERMANY'S FREIGHT CONTAINER SYSTEM—*The German Railroads are experimenting with store-door delivery. Containers bear signs reading, "House to House (shipment) saves packing goods"*

Railroads Chase Fares to Homes; Use Limousines, Taxis, Buses

CONFRONTED with a steadily declining passenger traffic, the railroads are tackling the problem in various ways.

Low-rate rail excursions have proved very popular; most railroads have now put them on for weekends and holidays. Traffic departments say excursions really create new business, which would not have been obtained at regular fares; regular passenger traffic is not affected by them. Which naturally has raised the question of whether the railroads might not be doing better with passenger business if all fares were lower.

Another plan to which the railroads have begun to give more thought is the direct pickup and delivery of passengers.

Tried Out in Texas

Not long ago, Texas railroads were reported to be contemplating a plan to carry passengers in motor vehicles between train stops and city destinations (*BW—Dec23'31*). One road already provides such service on payment of a small additional charge.

Door-to-train motor connections for passengers have also been inaugurated by the Central Vermont Railway, subsidiary of the Canadian National. This service is available between Burlington and Essex Junction, a 7-mile branch line on which unprofitable rail operations were recently discontinued. If it reduces operating expenses and develops passenger business, similar service may be established elsewhere.

A limousine carries Pullman passengers between their homes or offices in Burlington and the main line station at Essex Junction for 25¢.

For the accommodation of coach passengers, rail tickets, without extra charge, are accepted on any of the Burlington Rapid Transit buses for transport to and from the railroad station. This is practically equivalent to a direct pickup and delivery since the bus routes are within a short distance of any residence in Burlington, and all lines transfer direct to the Essex Junction line. The bus company also acts as a selling agency for rail tickets and Pullman reservations.

The Erie offers another innovation. There are several railroads which like the Erie cannot get trains into New York, have terminals on the Jersey side. When the Baltimore & Ohio was deprived of New York City terminal rights some years ago, it developed a bus service between Manhattan and its station in New Jersey.

The Erie Railroad now provides a taxicab service for the pickup and delivery of passengers. Since Mar. 15, passengers from New York or Brooklyn going to any point on the Erie Railroad outside the commuting zone, may arrange to have a Parmelee taxicab call at their residence, hotel, or office, or they may hail a Parmelee System cab on the street and be taken to the Erie station at Jersey City via the railroad's ferry lines. Similar facilities are offered to passengers coming into New York.

The charge is 85¢ for each adult, 45¢ for each child, and applies to all of Manhattan south of 110th Street and any downtown point in Brooklyn. This is well below the usual taxi fare. Any distance traveled outside these limits is charged for at the regular meter rate.

Transport Lines Cut Weight to Cut Costs

ALONG with the promotion work to build up their passenger business through new and improved services, efforts are being made by railroads, bus lines, and electric railways to reduce the operating cost of this traffic.

Important as a factor of expense is the gross weight of the vehicle. By reducing this item of dead weight, the revenue weight of a passenger vehicle could be increased, operating speed improved. Hence, experiments with new light structural materials in body design always arouse a great deal of interest.

The Budd-Micheline rubber-tired rail car is an outstanding achievement in the railroad field (*BW—Mar2'32*). Other types of light-weight rail cars are in the making, will be announced later.

Lighter Buses, Street Cars

Significant developments along this line have also been made in bus and street car construction.

The Fargo Motor Corp., Chrysler's bus manufacturing unit, has recently put on the market 2 new light-weight models—one a 29- or 33-passenger parlor coach for intercity service, the other a 35-passenger city type. They are built of duralumin, an aluminum alloy, and are powered with an 8-cylinder Chrysler engine. The light body-weight of the vehicles will not only make operations more economical, but should help to reduce license fees when the basis is weight or engine power.

Reflecting the trend, the Fonda, Johnstown & Gloversville Railway has placed 5 bullet-type, high-speed, aluminum trolley cars in interurban service to Amsterdam and Schenectady, N. Y.

Weighing only 42,000 lb. and with a seating capacity of 48, compared with the old type of 86,000 lb. and 54-passenger capacity, the new cars require only half as much electric power for operation, have reduced the scheduled time of runs by 15% to 20%.

Few Extra-Fare Trains On Spring Rail Schedules

EVERYBODY is waiting for the new spring rail passenger schedules. Though no official announcement has yet been made, many changes are expected.

It is understood that beginning Apr. 24, when the new schedules go into effect, all New York–Chicago trains on the New York Central and the Pennsylvania Railroad will be speeded up, with the Twentieth Century and the Broadway Limited put on an 18-hour instead of the present 20-hour run. It is also understood that hereafter only these 2 crack trains will charge extra fares; all others on the 2 roads which now charge extra fare between New York and Chicago are expected to be operated as regular-fare trains. This change follows the recent Interstate Commerce Commission report, disapproving the practice of running too many extra-fare trains and recommending that the number of such trains be limited to one-third of the total in operation between any two points (*BW—Feb24'32*).

Two-in-a-Berth Charge Loses on Technicality

PULLMAN COMPANY'S plan to increase the berth rate by adding 20% to the regular single fare for doubling up has been knocked out by the Interstate Commerce Commission on a technicality. Pullman estimated that the additional charge for the 7% of its passengers who now double in berths would bring in $670,000 in a bad year. But the I.C.C. balked, pointing out that this would also cause an increase of $335,000 in the 50% surcharge paid to railroads.

The commission held that the railroads must justify this increased charge as the surcharge collected for them by the Pullman Co. is a part of the railroad fare. Although the present surcharge is based on a percentage of the sleeping-car fare, it does not follow, said the commission, that the surcharge should be automatically increased with the sleeping-car fare.

Wide Reading

THE PINCH OF THE INCOME TAX. *American Bankers Association Journal*, March. Where the burden of prosperity increases will rest most heavily.

THE NEW LEAD FROM CAPITOL HILL. Isador Lubin. *Survey Graphic*, March. What the LaFollette bill proposes in the way of setting up a National Economic Council.

CHINA'S PLANNED INDUSTRIALIZATION. P. T. Lau. *China Weekly Review* (Shanghai), Feb. 6. Even China has a Plan.

"MY BROTHER AND I." William Preston Beazell. *World's Work*, March. Andrew W. and Richard B. Mellon—story of Mellon money.

THE EVOLUTION OF FASCIST ECONOMIC PRACTICE AND THEORY, 1926-1930. Shepard B. Clough. *Harvard Business Review*, April. War emergencies which drove many a nation to government control set an important precedent. It forced capitalists with their capital, laborers with their hands, intellectuals with their brains to produce for the greatness of the nation. Now a new emergency may crystallize a lingering, spreading interest in Fascist economic organization.

RUSSIA. *Fortune*, March. The Soviet State and the Five-Year Plan described graphically, intelligently for the layman. Enough statistics to be convincing, enough pictures to be interesting.

TRADE, TARIFFS, THE DEPRESSION. Percy Wells Bidwell. *Foreign Affairs*, April. What the depression has done to foreign trade balances. The relation between international trade and the gold flow.

WHY ARE PROFITS OFF? CLINICS FIND ANSWER FOR 9,000 DEALERS. E. St. Elmo Lewis. *Sales Management*, Mar. 12. A clinic plan which boosted the lumber business by adopting new sales methods.

GERMAN DEFAULT HANGS IN THE BALANCE. John D. C. Weldon. *Magazine of Wall Street*, Mar. 19. Germany's struggle for trade approaches a crisis. Repudiation is unlikely but further postponement of payment on private debts to U. S. is probable.

SALES OPPORTUNITIES FOR AMERICAN PRODUCTS IN MEXICO. Dorothy Guernsey. *Sales Management*, Mar. 12. American products have become popular. Mexico's large-scale economic readjustment does not exclude American imports.

BOOKS

GREATER AMERICA. Wallace Thompson. Dutton, 275 pp., $3. A critical view of all of Latin America as one great economic entity. Potentialities, characteristics, needs. For the executive who foresees new possibilities in the Latin American market, who wants to understand it more intimately.

A BASIS FOR STABILITY. Samuel Crowther. Little, Brown, 360 pp., $3. A symposium of proposals from authorities of remedies for the depression. Included: Ford, Sloan, Whitney, Atterbury, Swift, Taylor, Teagle.

TAXATION OF FOREIGN AND NATIONAL ENTERPRISES (in France, Germany, Spain, the United Kingdom, and the United States). League of Nations, $2.50. A compendium by categories, such as industrial and commercial profits, income from securities, personal income, others.

Copper Tariff Is a Political, Not a Revenue, Proposal

If adopted—which now seems unlikely—it would stop imports, end world curtailment program

COPPER tariff advocates waxed jubilant when news broke out last week that the House Ways and Means Committee had decided to incorporate a 4¢ a pound tax on copper imports as part of the revenue bill. They had long fought for protection, saying that this would revive mining operations here, bring higher prices back, and the prospect of such legislation suddenly turned bright. But a day later another report from Washington announced that the committee had suddenly turned down its original proposal, and the hearts of copper protectionists sank.

Got In Too Deep

Explaining this abrupt change, the House committee's acting chairman Crisp said: "We marched up the hill yesterday but we marched down again today. We found that the copper tax would involve changes of the tariff law in 30 or 40 different ways. There was no chance to work out an intelligent amendment while the tax bill is before the House."

Protection champions have not given up hope, however, are determined to keep the issue alive. There may be a move on the floor of the House to restore the tax, though it is more likely to come in the Senate where the copper legislators are more numerous and better organized. In any event, the passage of such a measure is considered improbable.

The copper tax proposal was advanced ostensibly as a revenue measure, although it is evident that its net effect would be simply to stop imports. The real inspiration was political, and the copper tax was adopted as a trading point to gain votes for the sales tax. Almost immediately, however, it was realized that because of the thin representation of the copper states in the House, very few votes were involved. That is why the committee reversed its action so suddenly. Another reason was that a tax on the imported raw material would necessitate adjustment of the compensatory duties on fabricated copper, with the result that the committee would be thrust into the consideration of tariff revision on a much broader scale than it relishes.

Imposition of the proposed 4¢ import tax would be tantamount to a protective duty. If enacted, it would shut out foreign-mined copper, chiefly South American and Canadian, imported at present into this country, and cause it to be thrown on the European market to compete there with African and other producers' metal. This would complicate matters a great deal, and for that reason, it is thought an American import duty would break up the world copper producers' association and the recent curtailment agreement (*BW—Mar23'32*).

Those in favor of a duty contend that the domestic price of copper would be much higher under a tariff. But opponents point out that lead and zinc are just as badly off as copper in spite of the tariff protection they enjoy.

Behind the tariff move are the exclusively domestic producers, including Phelps Dodge, Calumet & Hecla, Consolidated Coppermines, Miami Copper, and Copper Range. Opposed are companies which also have mining properties abroad.

The Business Week

ROAD HUGGER—*A new tank truck, developed by the Columbian Steel Tank Co., has no frame. Rear wheels are mounted directly on the tank which is powered by the front-wheel-drive truck-tractor*

Reichsbank Asks Reduction Of "Excessive" Interest

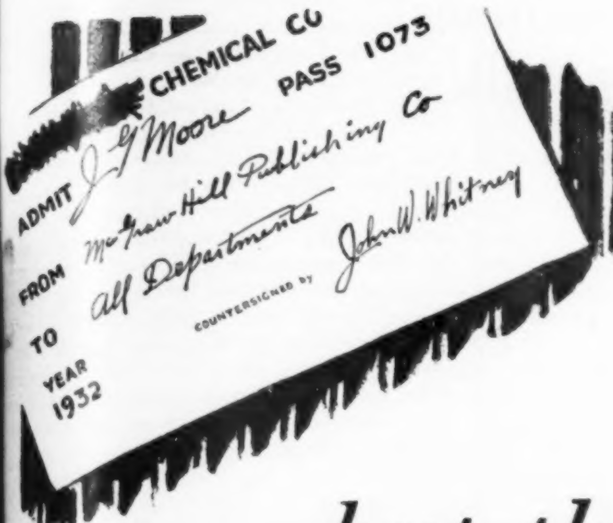
When representatives of the 11 creditor nations concluded negotiations for extension of their standstill agreement with Germany in January, one of the few criticisms raised by Germans was that it included no agreement for lowering "excessive" interest rates.

This, it was explained, referred to rates exceeding 7%. It applied to loans from no one nation. Some from the United States carried a 10% rate. Paying a high rate endangered future interest payments on all loans.

The Reichsbank is now reported to have opened negotiations with the committee of 6 set up by the "stillholding" creditors, to reduce all interest over 7% to that level.

Germans were not surprised. In the final emergency decree of last December, domestic interest rates were cut by government command (*BW—Jan13'32*). Foreign creditors are only a little surprised. Germany's balance of trade has fallen so sharply in the last 5 months, and the gold reserve of the Reichsbank is so limited, that every economy must be made if even current service charges are to be met.

The "dangers" foreseen by the Reichsbank have been predicted by *The Business Week* (*BW—Mar16'32*). This week rumors are spreading in Europe that Germany will soon be forced to a moratorium on commercial obligations.



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U. S. Export Decline Continues, Starts Tariff Bargaining Talk

THE value of United States exports in 1931 was less than in 1913, and only $53 millions above the 1911-15 average.

Last year our exports totaled $2,424 millions. In 1930, the total was $3,850 millions; in 1929, $5,241 millions; in 1928, $5,128 millions.

Nor is the trend changing this year. February exports were larger than January, but were still less than half of the 1930 total for the month.

One aspect of the situation is less unfavorable than others. Despite the 37% reduction in the value of exports, outbound shipments of 24 items representing 25% of the total by value, showed increases ranging from 4% to 117%. Fresh fruit headed the list. Dried milk and cream exports increased 106%, radio receiving sets 92%, oil cake and meal 78%, cotton fabrics sold by the pound 37%, and wheel tractors 39%.

Contraction in the foreign trade of this country is not out of line with returns from other countries. World figures show that 1931 recorded a drop of 27% in comparison with 1930 and 41% in comparison with 1929.

Great Britain, for example, showed a decline in imports last year of more than 16½%, and exports fell away nearly 32%. Canadian imports shrunk 38%, exports 32%. German imports decreased 35%, exports 20%.

Of 16 important countries for which complete details of 1931 trade are available, Australia showed the largest percentage of decrease in imports, 54%. This was brought about by the highest tariff walls in the world and by import restrictions and quotas. Australian exports declined only 17%, made it possible to turn a favorable balance of trade.

Just how concerned American exporters have become over current trends is evident in the spontaneous formation in recent weeks of the World Trade League of the United States. At an initial meeting in New York Mar. 21, it was declared by George F. Bauer, the chairman, that "the purpose of the League is to unite all thoughtful citizens into a powerful movement designed to create a clearer understanding of the vital importance of the restoration of foreign trade, and to sponsor public mass meetings popularizing a reciprocal tariff policy whereby our government may enter into trade promotional agreements with other countries based on mutual concessions."

The avalanche of fresh import quotas in France, the new tariff in Great Britain, the possibility of more or less extensive readjustments to empire preference after the Ottawa Imperial Conference in July indicate how strongly the trend is away from mutual bargaining. Only sign of a reversal of the trend comes from Australia which reduced duties on 69 items, lifted it completely from 43 others.

Trade must flow in two directions. Unless we allow foreigners to sell to us we cannot expect them to be able to buy. It remains to be seen what concessions American business will make.

Oil Men "Not Interested" In World Control Plan

THE domestic petroleum industry refuses to get excited over the new plan for world oil control proposed by J. A. Kessler, managing director of the Royal Dutch–Shell group. First, because the industry has little interest in world oil trade: exports are concentrated in the hands of a few large companies. Second, other attempts at world commodity control have not proved too succes ful, and American oil men have fe illusions about the outcome of such pla

The new Kessler plan, which replac the one prevented by anti-trust la last fall, requires only restriction of e ports by American producers. Cru exports from the United States cou not exceed imports on penalty of an per barrel levy. Gasoline exports cou amount to gasoline imports, plus h the difference between crude oil impo and exports, plus 6 million barre Other world producers would be e pected to agree to restrict producti and drilling to world consumption lev and a system of fines is proposed assure cooperation.

Without the Natives, Rubber Plan Goes Flat

EUROPEAN NEWS BUREAU (Cable) World rubber markets went flat l week when Dutch and British produ announced officially that rubber rest tion is "highly impractical." Schem under discussion for the last seve months are being completely abandon Spot prices in London's Mincing L market touched a new low of 1⅞d pound on the announcement.

To economists, failure of this m recent attempt to stabilize prices a profitable level by curtailing producti is just one more proof that artifi restriction can never solve the probl

No scheme will ever be effective

EMPIRE PREFERENCE—*Sir Thomas Wilford, High Commissioner for Zealand, welcomes the first cargo of New Zealand butter and chees arrive since the British tariff. New Zealand is anxious to get the d products trade which formerly went to the Scandinavian countries*

less production from both the huge European-controlled estates and the irregular native producers comes under its control; no way to control native production has been found, so the whole plan of restriction collapses.

British Tried It Once

The British tried rubber restriction once before. In 1922, after rubber prices had fluctuated all the way from $3 to 18¢ a pound within 20 years, they tried the so-called Stevenson restriction plan. It failed miserably and largely because the Dutch producers in the East Indies would not cooperate. In fact, by the time the plan was abandoned in 1927, the Dutch in the East Indies were producing 2½ times as much rubber as in 1922. In the same period, rubber output from British restricted areas dropped from nearly 77% of the world total to barely 55%.

When the present conference was proposed last year, the British reluctantly cooperated. They knew the pitfalls. Also, they realized the problem of winning native cooperation. In 5 years of relentless effort, they had never gained complete control over even their own relatively smaller native production. Only the fact that seven-eighths of world production is nominally "controlled" by these 2 powers, plus the abysmal lows to which rubber prices have fallen, and the resultant desperate straits of producers, enticed them into it. But through all the negotiations they were well aware that 40% of this rubber monopoly of the Dutch and British is represented by native production.

Exit the Little Fellow

As a result of the failure of negotiations, many a small plantation owner will be forced out. Some will sell out to the estates. Others, already bankrupt, will give up trying to recoup. Still others will merge with the big interests.

Estate owners are in a more favorable position than when the Stevenson plan was tested. Since the restriction scheme was abandoned, especially since 1929, they have rapidly reduced costs, many of them to a degree almost equalling the drastic price decline. Technical improvements have in some cases doubled previous production.

The immediate outlook is not good. With all hopes for restriction abandoned, producers are likely to rush the market to get what they can out of their output. As small producers are squeezed out, and as estate costs converge toward native costs, some new means of unanimous cooperation may develop. Just now it seems a distant possibility.

International News

ANOTHER ELECTION—*Hindenburg's failure to carry the first election keeps the party posters on the advertising signs. Pleas for the candidates run side by side. Hindenburg's reads "Elect a man, not a party!"*

Exporters Fear That France May Start a Quota Epidemic

Franco-German cooperation may be a good thing, but this kind of cooperation sets a dangerous example

EUROPEAN NEWS BUREAU—France has extended the quota system to cover machine tool imports and in so doing has brought down on government officials a storm of disapproval from the American Chamber of Commerce in France, a stern protest from the American embassy.

International bitterness over the whole problem of quota imports is spreading. France pushed to the head of the parade last year with a series of quotas covering particularly a wide range of foodstuffs. Late in December the schedule which had been applied to lumber for some time was extended. Radio tubes came under quota regulation on a decree of Jan. 16, made retroactive to Jan. 1. Later quotas included vacuum cleaners, electrical appliances, fresh and frozen meats, various canned vegetables, and rubber goods. And now machine tools.

Half a dozen other countries in Europe have adopted the quota system in self-defence. Italy, Spain, Germany, the Netherlands, Latvia, and Turkey all have issued decrees placing various imports on a quota basis.

Protests from Americans became vigorous when the quota on radios and tubes was announced (*BW—Jan 27'32*). Both the Dutch and Germans were claimed to have been given unfairly large quotas. Also it was known that manufacturers from both of these countries were called to Paris in advance and the whole proposition discussed with them.

American manufacturers not only were not forewarned, but with the law made retroactive a number of American shipments bound for France almost absorbed the entire quota allowed for the first quarter of 1932.

The second attack came from American fresh fruit exporters when it was claimed that incoming shipments of apples were infected with the San José scale and a complete embargo was raised. This affected other countries as well but hit Americans particularly severely because of the volume of this business.

The embargo was effective for only one week. Within that time the French adjusted the regulation so that all fruit would be admitted if it could pass rigid sanitary tests at the ports.

Leather Men's Demands

Leather imports have also been curtailed by France, and again Americans feel they are heaviest losers, Germany a large gainer. As in the case of radios, the quotas are seemingly established on an unbiased basis by taking only a definite percentage of the imports for 1928-1930. Actually this is unfair to the Americans inasmuch as they greatly increased their exports of leather goods to France in 1931.

American leather interests in France are demanding, through diplomatic channels, that 1931 imports be taken as a basis. If this is admitted, the impending annual quota would amount to 393.2 tons (instead of 302.9 as at present) of which the U. S. would be allotted 47% (instead of 38.37%) and Germany 28% (instead of 38.02%).

Hardest Blow

Putting machine tools on the quota basis now seems to Americans to be a climaxing blow. Not only is machinery one of the major exports from the United States, and France an important market, but, significantly, Germany is an important competitor in many a foreign market. In this case, as in many of the others, the Germans seem to be gaining the advantage.

As yet, fewer details are available on the recent imports of machine tools than on many of the other items put under quota. It is known, however, that total machine tool imports in 1931 fell to almost half the value of machinery imports in 1930. From Washington it is reported that the value of the items sent to France in 1929 exceeded $6 millions, barely passed $1½ millions in 1931.

Puzzling Maneuvers

As was the case heretofore, representatives of the French machinery industry have met with delegates of German manufacturers to discuss quota figures. These meetings, although unofficial, are held at the suggestion of the French Department of Commerce, which claims to prefer that the French industries involved reach an understanding with their foreign competitors before official action is taken. American interests not only

have not been consulted but have been refused a hearing by the Minister of Commerce, again illustrating the pro-European trend of the new French foreign trade policy.

It is explained in official circles that the apparent preference given to the Germans on all quota matters is based on the Franco-German economic agreement reached by Laval and Bruening last summer, whereby each country agreed not to take any steps that would affect the other's economy without warning and an attempt to reach a friendly compromise.

Specialized Tools Exempt

According to latest reports regarding these negotiations, the French agreed to exempt from any quota machine-tools of a highly specialized character.

A second category also comprises special machines which are made in France to only a limited extent. The quota basis reached on these machines is 70% of 1931 imports. This category is of vital interest to the Germans but it is unimportant to Americans.

A third category will comprise ordinary machine tools which are readily available in France and the proposed quotas on these is but 10% of 1931 imports. Imports from the United States fall largely in this class.

In the case of machine tools, France is basing the quotas on 1931 imports. Here it works against the Americans. While all French imports declined in 1931, the United States lost 64% of its business as compared with 1930, whereas Germany lost only 46%.

Extensions Forecast

In view of the fact that M. Dalhouse, president of the French Federation of Mechanical Industries, is the motive power behind the machine tool quota move, and further, that his influence over the French Department of Commerce is great, it is generally considered that the machine tool quota is but an initial step which will gradually be extended to the machinery industry as a whole.

According to the latest news, the government is contemplating quotas on American electric motors (other than those already under the electrical equipment quota) and on agricultural machinery. The American Chamber of Commerce is planning vigorous protests. Meanwhile, a warning by Silas Strawn, president of the Chamber of Commerce of the United States, that quotas may bring about retaliation, may possibly force the French government to reflect on the consequence of its action.

Business Abroad—Swift Survey Of the Week's Developments

The business outlook is not bright. . . . Europe is awaiting reports from Stockholm of Kreuger & Toll investigations, watching fresh tangible signs that Germany is headed toward a moratorium. . . . Commodities are generally weak. . . . Only Britain is on the upgrade. . . . French economic disintegration is relentless. . . . Far Eastern conditions have improved slightly. . . . Immediate interest centers in Germany, in the Danubian conference scheduled for April, in further preparations for the highly important Lausanne conference in June.

Europe

EUROPEAN NEWS BUREAU (*Cable*)—Soggy stock, and sagging commodities markets portend that heavy weather is again in the making, with the depression area still centering in Germany and in Southeastern Europe. One favorable factor is the definite prospect of a period of cheaper money, already partially realized by bank rate reductions in many countries, with further reductions in prospect. But recent new issue activity has dried up and other developments are negative.

Scanning the principal business centers from Paris, the outstanding developments of the week are summarized briefly:

Outstanding Developments

February foreign trade, notwithstanding exceptional pre-tariff shipments to Great Britain, failed to show the usual seasonal pickup. Instead there was further contraction. Trade restrictions continue to multiply, outstandingly in France.

The larger international sample fairs are viewed in most countries as fairly accurate barometers of business. Three of these fairs—at Leipzig (Germany), Lyon (France), and Vienna (Austria)—have just closed with most unsatisfactory results.

Commodities weakened distinctly this week. Rubber dropped to a new low when the Dutch and British failed to reach an agreement on a plan for restriction, abandoned their efforts. Sugar was down due to the uncertainty over Cuban collaboration in the revised Chadbourne plan. Wheat was lower on fears that the United States would dump in Europe. Among the nonferrous metals, tin especially was weak because of persistent stagnation of demand despite the better technical position. When prices at the important Sumatra tobacco auctions failed to rise above 40% to 60% of last year's levels the last major product of the East and West Indies joined the list of the "highly depressed."

Financial Conditions

Financial conditions are in suspense pending findings of the committee which is investigating the condition of Kreuger & Toll and affiliated companies. Some Europeans predict a series of heavy losses among the affiliated companies. Others are confident that the organization is inherently sound though the assets of some affiliates may be frozen.

Financial markets are at last beginning to act as though they understood that Germany very likely will be forced into a moratorium on her commercial obligations. Shrinkage in the trade balance for the last 5 months, and now the resumption of the gold and foreign exchange hemorrhage of the Reichsbank have wakened bankers to the distinct possibility of a general transfer moratorium. The refusal of short-term creditors, except the British, to reduce interest rates which the "standstill" agreement left unregulated, does not improve the situation since the rates average 8½%, with some American loans carrying among the highest at 9% and 10% (page 25).

The German political situation is also a matter for concern. Although there is a practical certainty that the venerable Hindenburg will be reelected president, there is an equal prospect that the young and aggressive Hitler will gain control in Prussia and therewith gain control of the internal administration machinery of two-thirds of the whole country.

Balkan Problems

Seriousness of the situation in Central Europe and the Balkans is reflected in recommendations made by the Finance Committee of the League of Nations which has been meeting in Paris. Austria is declared to need an immediate relief loan in order to avoid a moratorium, and the situation in Greece is considered scarcely less immediate. It is recommended too that a 50% reduction in the Bulgarian debt services be recognized and that the moratorium on Hungarian interest payments be continued.

Discussion in the last few weeks of the Tardieu plan for economic union among the Danubian states is crystallizing, seems to reveal 2 blocs of powers with different reactions to the proposal. Germany and Italy insist the scheme should be extended to the mid-European trade area which in itself is able to absorb the agricultural surpluses of the Southeastern states. France and England reflect the opinion of worried investors who, though they want to see the formation of some viable economic unit, mistrust the inclusion of Germany and Italy because of the import preference it will give to industrialists of these 2 nations.

Germany

Berlin openly talks of a transfer moratorium on long-term obligations. . . . Internal conditions are increasingly unfavorable. . . . Trade balance and drain on Reichsbank indicate seriousness of the situation.

BERLIN (*Cable*)—After a week of worried observation, Berlin is ready to admit that the Boerse has been relatively unaffected by the Kreuger affair. There is not a small amount of satisfaction in the prospect that normal stock trading will be resumed Apr. 6 with publication of prices for the first time in many months.

The gold loss of the Reichsbank, coupled with the unsatisfactory February trade balance, has caused the business press and trade associations openly to raise the question of an impending moratorium on interest payments on long-term obligations and to urge the government to make a timely start on negotiations with creditors.

By agreeing to a government guarantee on the new financing for the North German Lloyd and Hamburg-American lines, the Reich assures continuance by these 2 lines of their relatively successful competition with the government-subsidized lines of other nations. Still to be accomplished, however, is closer cooperation between the 2 companies, with broader merging of facilities. Business is interested that the government has abstained from interfering in the management of the 2 companies to protect its guarantee.

Apart from the slight increase in coal and steel output, industrial production is slack with seasonal recovery below normal.

France

France is on the downgrade. . . . Unemployment is up. . . . Sales are down. . . . The budget deficit is mounting. . . . Stock prices are lower. . . . New budget expected before April; will include fresh import surtax. . . . Import quotas extended again.

PARIS (*Cable*)—The French economic situation grows increasingly less favorable.

This week unemployment continued to increase. February tax receipts were 12% below estimates and total receipts for the first 11 months of the fiscal year were $30 millions under recent estimates. The sales tax returns in February were 24% smaller than anticipated. Spring automobile sales are 75% below normal. The adverse trade balance in February exceeded $26 millions, brings the total unfavorable balance for the first 2 months to $48 millions. The latest statement of the French railways shows receipts were off nearly 21% when compared with the same period in 1931.

Bourse Lags

Last week's disappointing interest in the Bourse continues, with prices generally lower.

Usually one of the most popular, the Lyon trade fair closed Mar. 20, almost a complete failure. Prospects for the Paris fair, scheduled for May, are not bright. Space is renting slowly and small interest is shown by either exhibitors or prospective buyers.

The budget bill is expected to be passed before the end of the month and it is certain that it will include a "paper" surplus of $189,000, but realistic critics place the latent deficit at no less than $280 millions.

Included in the budget bill is an increase in the import surtax which is not to be confused with the already high French duties. The new surtax will place an additional import levy of from 2% to 4% on semi-manufactures, up to 6% on manufactures, and up to 16% on luxuries. This final category includes automobiles, and since the new 16% surtax is virtually prohibitive, it is likely to be accepted abroad as just one more of the drastic efforts being made by the French to dike the nation against the flood of economic depression.

New Quotas

In the meantime other new measures have been decreed with the intention of shutting out a fixed proportion of normal imports and admitting the balance on a quota basis (page 30). To the list of 20 or more items previously put on an import quota basis France now has added machine tools, printing presses, incandescent lamps, electric storage batteries, toilet articles, lamps, bottles, flasks, yarn, twine, automobile body sheets, and electrical sheets.

And now under consideration by the government are quotas for electric motors other than those covered by the electrical equipment quota already in force, on agricultural machinery, hygienic rubber, and rubberized fabrics. American typewriters and office equipment, imports of which in 1931 reached nearly $3 millions, may be placed under a complete embargo. Since the beginning of 1932, 12,342 American typewriters, worth $823,567, have been imported into France.

France Imports Wheat

Contrary to this general trend toward the restriction of imports, France, within the week, has twice increased the amount of foreign wheat permitted for domestic flour. The final proportion allotted to foreign wheat is 35%. Domestic wheat stocks are very low and for the last 6 weeks France has been buying heavily from Argentina. It is estimated that the country at present needs approximately 12 million bushels of foreign wheat.

If Tardieu's negotiations aimed to bring about closer economic cooperation between the countries of Central and Southeastern Europe have made little headway in recent weeks because of political antagonism among the powers, the entire problem will be aired before everyone in April. Invitations for a conference on the Danubian situation have been issued by the International Chamber of Commerce to the chairmen of national committees in 10 countries. It is planned to hold the conference in Innsbruck beginning Apr. 16. Those invited include Austria, Czechoslovakia, France, Germany, Great Britain, Hungary, Italy, Yugoslavia, Poland, and Rumania.

Central News

THE IRON HORSE'S STABLE—*In this house near Newcastle-on-Tyne, George Stephenson, father of the railroad, was born. Passing it, is the newest English Diesel-electric railcoach, just put into service on this line*

Great Britain

Business is good. . . . Stock market steady; commodities weak. . . . Lower bank rate to steady sterling. . . . Industrial demand improved.

LONDON (*Cable*)—Britain is no doubt still the brightest spot in the European economic picture though optimism flattened a little this week and some of the recent buoyancy was lacking.

Probably the most favorable factors were the steadiness with which stock markets have withstood the shock of the Kreuger affair, the decision of the Bank of England to reduce the rediscount rate another ½% from 4%, and the assurance that the budget this year is balanced. There is some encouragement, too, in the continued decline in unemployment, in the volume of fresh orders

being booked, especially by textiles, and in the prospect of revenues from the new tariffs though it is doubtful if the returns this year will be large enough to justify any lowering of the income tax.

There are some less favorable factors. Commodities were weak, rubber dropping to a new low when negotiations with the Dutch for a new restriction scheme fell through, and sugar because it seems unlikely that Cuba will agree to the latest proposal from the International Institute for a guarantee of a reduction of Javan sales this year. Though both shares and commodity prices on these 2 products flattened during the week, there was no selling rush and London expects that rubber interests now will definitely abandon restriction dreams and face the facts.

Strike Not Settled

Despite the improvement in the textile industry, there is still the threat that labor troubles in Lancashire are not so near final solution as recent reports have led the public to believe. Though it is possible that weavers are ready to agree to operate 6 looms per worker, instead of the traditional 4, there is still a question of wages on which owners and weavers have not agreed.

The upward but fluctuating progress of sterling and the advance in gilt-edged securities has raised the question of how much this is due to speculation and how much to genuine trade and investment demand. The proportion of these factors must determine the extent and permanency of recovery.

Expect New Cut in Bank Rate

The early rush to buy sterling after the removal of the exchange restrictions was believed in London to emanate from the very quarters whose distrust last autumn caused Britain's abandonment of the gold standard. It was largely to discourage the further reentry of these elements that the bank rate was lowered first to 4% and then 3½%. It is probable that there will be additional reductions, probably ½% at a time, as it may be necessary to keep sterling rates from rising too rapidly, and artificially.

The Bank of England and the government have earned some sharp criticism by their failure at the first real test to "manage" the "managed standard" which has replaced gold, and are accused of being a passive rather than an active factor in the market. The failure to squeeze the speculative position and the allied fluctuation of the pound have undoubtedly enhanced the reputation of gold and weakened the movement toward a sterling bloc. It is probable, however, that both have learned from the recent experience and that a careful and definite policy will be pursued in the future to keep the value of the pound from rising on speculation only and keep it within a narrower, lower, range which will maintain for exporters intended benefits.

Latin America

Mexico buys large quantity of domestic silver to supplement present coinage. . . . Chadbourne plan has one more chance to aid sugar. . . . Argentina has difficulty meeting April maturity. . . . Brazil threatened with revolt.

THREE developments relieved the monotony, if not the unfavorable outlook, in Latin American business this week.

One was the purchase of 2 million ounces of domestic silver by the Mexican government and an option to purchase an equal amount up to 23 millions in coming months as a part of the government's plan to increase the silver currency of the country. At the same time Cuba issued bids for coining $3,550,000 of Cuban silver currency. A commission of ½ of 1% will be paid to the bank obtaining the bid. In both cases the move is being made to meet a current shortage of circulating media which has in part been caused by hoarding. Neither purchase is sufficiently large to have much effect on the silver market, especially since the larger Mexican purchase was made internally.

Just when sugar interests had given up the Chadbourne plan for restricting output, word reached Havana from the officers of the International Sugar Council in Paris that European producers and those in Peru had one final compromise plan to offer—a guarantee that Java would not export more than 1½ million tons in the current year. The plan is hanging in the balance, and prices continue at record lows, while members of the Cuban Institute consider their decision.

Argentine Loan Maturity

The third interest is Argentina. By most close observers it is considered to be in the best condition of the countries of Latin America. A week ago its bonds were strong. This week they have sagged heavily. Reports are coming out of Buenos Aires that it is going to be necessary to float a large internal loan to meet back civil service salaries and service charges on foreign loans. Wall Street is also questioning whether the country's present condition will allow for payment of the 2 instalments of its loans from New York which come due in April and July. Foreign trade is encouraging but returns are incommensurate with volume.

Revolt Threatens Brazil

Brazil is upset by threats of an overthrow of the Vargas government. Though himself a native of Brazil's southernmost province of Rio Grande do Sul, the president's new opposition is coming now from that state, is based on the contention that he has failed to return to a constitutional government. His term of office is probably limited though he has supposedly received a fresh vote of confidence on his promise to return to constitutional elections next January. Business is somewhat upset by the uncertainty.

Reports from Bogota indicate that Colombia is going to ration foreign exchange on a limited basis of 20% of total debts a month. Bolivia has fixed the rate of the boliviano at 4.12 to the dollar. Chile is reported to have come to terms with the Guggenheim interests for reorganization of Cosach. It is further reported from New York headquarters that representatives of European synthetic nitrate interests are coming to the United States for conferences which are expected to lead toward a new world nitrate agreement. Chile abandoned the European nitrate cartel last year.

Far East

Political uncertainties retard economic gains. . . . Japan plans new financing to cover war costs, meet new industrial demands in Manchuria. . . . Cabinet reorganization may still cause upset. . . . Chinese business likely to be back to normal in April.

SURFACE conditions in the Far East show some improvement this week. At Shanghai controversy between China and Japan is likely to continue for some time without any fresh outbreaks. In Manchuria the outlook for really settled conditions is less certain. China has in no sense accepted Japanese control of this potentially rich province. Sporadic outbreaks are likely to continue; will hamper, but not stop, Japan's plans for large-scale industrial development.

Tokyo's interest is centered in 2 matters. One is the special session of the Diet which is being held to vote expenditures to cover war costs at Shang-

hai and in Manchuria. An attack on the present government by the opposition party is possible, but it is more likely that the attack will follow the special session when the cabinet begin its plans for reorganization.

Orders From Manchuria

Japan's second interest is the new activity surrounding schemes to rush development projects in Manchuria. Loans to the new Manchurian state are under government consideration. Bankers are showing an interest due to the prospect that they will hinge on purchases of materials to be made in Japan. Already increasing orders from Manchuria are benefiting the sugar, iron and steel, cement, and machinery industries. Construction of a new government center at Changchun alone is expected to cost 20 million yen.

Other foreign trade is unfavorable. During the second 10 days of March, imports exceeded 50 million yen, exports failed to total 31 millions. Japanese expect the unfavorable trend to continue through mid-April. Even then the boycott in China may keep exports from rising to what has been their normal level.

China Returning to Normal

Conditions are gradually returning to normal in China. The demand for wheat has increased and flour mills are operating at about 75% of capacity. The tight money situation among native banks is still hampering business, especially among small millers. Wheat and flour stocks at Shanghai are moderate and demand for flour from North China is good.

Textile mills are gradually resuming operations. Average monthly cotton consumption from October through January was 80,000 bales. In February this fell to 12,000. Consumption during March is still below the average but there are indications that in April, when Japanese mills plan to reopen, it may return to normal.

Philippine Business Dull

Conditions in the Philippines show small improvement. The slight rise of late in copra and cocoanut oil prices is outweighed by heavy declines in sugar prices. Merchandising activities in Manila at the opening of the spring season showed a decline of from 15% to 20% in volume of sales, compared with figures for the same period last year. Textile consumption is low but demand for American lines is increasing. Orders from the United States are steady. Unemployment is increasing in some districts due to completion of the sugar harvest.

The Figures of the Week And What They Mean

Only coal production and shipments show noticeable improvement among the latest reports, and these were due to the unexpectedly cold weather, a temporary factor at best. . . . Steel operations are being held steady with difficulty. . . . Motor production continues to be postponed, though many signs point to better volume in April. . . . March residential construction to date shows substantial gains over the low February totals, but public works activity is petering out rapidly. . . . Loadings of manufactured products dropped sharply to the low of the year for a full week. . . . Prices move in narrow limits, but show little sign of strength. . . . Currency circulation is gratifyingly declining.

No significant changes are reported from steel centers this week. Activity remains approximately unchanged at 25% of capacity instead of soaring to the customary spring peak. The adjusted index for the week ending Mar. 21 declined to 31% of normal. The seasonal upturn that usually characterizes the steel industry at this time has been virtually non-existent. Trade papers report that industrial leaders are remaining hopeful in spite of this turn of events on the strength of tomorrow's improvement.

Automobile Production

Automobile production continues to be held in abeyance with but few exceptions. Ford still proceeds with caution in ordering steel requirements. General Motors is preparing a spring drive on its products throughout the country early in April in the hopes of stimulating sales. The Ford showing is expected a few days before the Dearborn celebration scheduled for Apr. 9.

The *Iron Age* expects that rail buying may begin to show signs of life with better earnings reports coming as a result of the rate increases and wage decreases. But buying will be only for the most necessary requirements. The New York Central Railroad is inquiring for some 30,000 tons of steel rails, the lowest allotment for this road in this century. The report that this road had 51% of its freight locomotives unserviceable in January indicates the extent to which the decline in traffic has compelled curtailment in maintenance of equipment.

Price Stabilization

Price stabilization still lacks an effective test, since buying has been on a small scale. The second quarter of the year will probably be a proving ground, particularly when automobile releases appear. The *Iron Age* continues to call attention to foreign competition on the seaboards which will be an added factor in the difficulty of price stabilization.

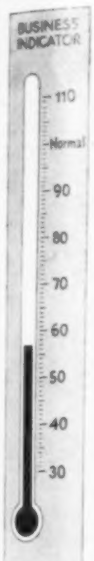
The sharp increase in construction activity that usually occurs in March shows no sign of taking place this year, if the first half of the month is any guide. Total awards for the first 13 business days aggregate $51,764,800, which on a daily basis indicates only a 2.8% gain over the February average, and a 72% decline from a year ago.

The adjusted index of construction

THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY

	Latest Week	Preceding Week	Year Ago	Five-Year Average (1927-1931)
THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	*56.9	†57.9	81.7	....
PRODUCTION				
Steel Ingot Operation (% of capacity)	25	25	57	80
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$3,729	$3,893	$11,709	$16,448
Bituminous Coal (daily average, 1,000 tons)	*1,345	†962	1,395	1,646
Electric Power (millions K.W.H.)	1,538	1,538	1,682	1,601
TRADE				
Total Carloadings (daily average, 1,000 cars)	96	93	122	151
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)	60	65	81	100
Check Payments (outside N. Y. City, millions)	$3,180	$3,022	$4,674	$5,615
Money in Circulation (daily average, millions)	$5,537	$5,563	$4,588	$4,669
PRICES (*Average for the Week*)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.52	$.53	$.70	$1.11
Cotton (middling, New York, lb.)	$.068	$.070	$.109	$.163
Iron and Steel (STEEL composite, ton)	$29.57	$29.55	$31.71	$35.14
Copper (electrolytic, f.o.b. refinery, lb.)	$.058	$.058	$.098	$.156
All Commodities (Fisher's Index, 1926=100)	63.1	63.3	76.0	91.0
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$1,634	$1,705	$916	$1,141
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$19,588	$19,305	$23,111	$21,974
Commercial Loans, Federal Reserve reporting member banks (millions)	$6,975	$7,010	$8,153	$8,669
Security Loans, Federal Reserve reporting member banks (millions)	$5,413	$5,426	$7,365	$7,113
Brokers' Loans, N. Y. Federal Reserve reporting member banks (millions)	$524	$561	$1,908	$3,601
Stock Prices (average 100 stocks, Herald-Tribune)	$90.59	$92.07	$138.24	$154.33
Bond Prices (Dow, Jones, average 40 bonds)	$80.58	$81.79	$96.37	$96.60
Interest Rates—Call Loans (daily average, renewal)	2.5%	2.5%	1.5%	4.3%
Interest Rates—Prime Commercial Paper (4-6 months)	3½–3¾%	3½–3¾%	2.5%	4.1%
Business Failures (Dun, number)	708	685	549	497

*Preliminary †Revised



The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures —steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.

activity for the 4-week period ending Mar. 4 stood at 24% of normal compared with 25% the preceding week, while the following week of Mar. 11 showed a 2 point decline to 22%.

The most favorable aspect of these early reports appears in the residential classification, where the value of contracts totaled over $18.9 millions in the 37 states reported by the F. W. Dodge Corp. On a daily basis, this represents a 37% gain over February.

Non-residential awards of $20.8 millions are running only slightly ahead of the February daily average and remain 64% below that of a year ago.

The poorest showing for the month to date is unfortunately in the awards of public works and utilities with a total of less than $12 millions, equal to a 25% decline from the February average and an 84% drop from a year ago.

Coal Production

The effect of unseasonable cold weather is apparent in the 40% rise in bituminous and 46% gain in anthracite coal production during the week of Mar. 12. The necessity of increasing production reflects the low level of stocks in the country. The adjusted index of bituminous production rose sharply from 47% of normal to 66% since the rise at this time in output is directly contrary to the usual trend in March.

Electric power production managed to hold its own during the week ending Mar. 19, while a year ago a slight expansion took place toward the close of March. Hence the comparison with last year is less favorable this week than last. The adjusted index lost one point, standing now at 74% of normal.

The gain in coal production and consumption resulting from the sudden change in weather influenced the volume of freight shipped during the week of Mar. 12, and changed a loss into the peak loadings of the year to date. Outside of coal and coke shipments, only ore showed an increase over the preceding week. The volume of manufactured goods shipped indicated by the groups miscellaneous and less than carlot freight declined to the lowest full week total of the year. The adjusted index based on these groups lost 4 points to 54% of normal.

In spite of the March financing of the government and the collection of income taxes, the volume of check payments in the 140 cities outside of New York increased only 5%. The adjusted index for the week of Mar. 16 declined to 64% of normal. In New York City the gain in check volume amounted to 29%, but in 9 other financial centers the gain was slightly more than 0%.

Money in Circulation

Currency outstanding has now fallen some $190 millions since the peak of last December, reflecting the improvement that has taken place in the financial situation. The adjusted index remains unchanged at 47% above normal.

The trend in commercial failures in the past 3 weeks has been distinctly contrary to the usual trend. Recent weeks have shown repeated increases in defaults, reflecting the failure of business improvement in the first quarter of 1932. Retail trade in the first half of March has been very disappointing.

The decline in commercial loans has not been halted, and the Mar. 16 report of member banks in 102 leading cities shows the total volume outstanding below $7 billions. The adjusted index remains unchanged at 9% above normal.

Commodity Prices

Wholesale prices declined nearly 1½% from January to February, according to the recent report of the U. S. Bureau of Labor Statistics. Declines occurred in 242 instances and increases in 97, while the bulk of commodities showed no change. Farm and food products suffered the greatest declines. The weekly data since February indicates greater stability in these items.

Grain and cotton prices have weakened in the past week on the belief that the European trip of G. S. Milnor of the Farmers National Grain Corp. meant the beginning of a wholesale liquidation of the Farm Board holdings. The assurances of Board officials that no such selling was contemplated lifted prices slightly for the time being.

Hides, silk, rubber, cocoa, continue to sag, while coffee and sugar hover in low ground. Hog prices have strengthened in recent weeks.

The non-ferrous metal markets were quiet. Copper remained unchanged at 6¢ a pound delivered Connecticut, but buying interest was meager. Lead declined to 3¢ in New York, a new low for the present movement. Zinc, tin and silver were irregular.

Trends of the Markets In Money, Stocks, Bonds

Easing of money continued with interest rate reductions in New York. . . . Expansion of credit, however, is occurring very slowly. . . . Industrial and public utility common stock prices declined in a dull market, railroad issues holding steady. . . . The market is about to test the depression lows. . . . Bonds continued weak except government obligations.

Credit Is Relaxed But Not Expanded

CREDIT relaxation in the United States continued this week, although the figures were obscured by readjustments from the huge Treasury monetary operations of last week. Abroad, monetary conditions were not markedly changed except for a rapid rally in sterling.

Some contraction of the domestic credit base occurred through reduction in Federal Reserve Credit and in Treasury currency, these 2 items offsetting an increase in gold stock. Despite an encouraging continuation of more than seasonal decline in currency in circulation and foreign deposits at the Reserve banks, member bank reserves declined slightly.

Despite this reduction, the Federal Reserve continued its open market operations by purchase of about $25 millions of government securities. This was offset, however, by elimination of the federal government overdraft of last week, a decline of $24 millions in bill holdings. Member bank borrowing from the Federal Reserve rose slightly.

There are some signs that the expansionary program is bearing some fruit, but those signs are very faint indeed. Last week's report showed a marked increase in credit outstanding for all banks in the country due to the large government issue. But this week the New York banks showed an almost equally sharp reduction, which extended through the loan portfolio as well as government security holdings. Figures for banks throughout the country will not be available until March 29. The New York banks did, however, buy a few securities other than governments.

The New York banks now have considerable excess reserves, and are completely out of debt at the Reserve Bank. So large is the supply of Reserve funds that they are selling in New York at about $\frac{1}{2}$%. The question of whether they can or will use the means at their disposal, or can be forced to do so, will prove a critical test of the whole expansionary program.

The easy money situation in New York brought more declines in open market rates. Time money was off $\frac{1}{4}$%, acceptance rates were cut again and now stand at $2\frac{3}{8}$% asked for shorter maturities. The call rate still is pegged at $2\frac{1}{2}$%. The Federal Reserve did not at once reduce its bill-buying rate, and thus now stands above the market.

Other signs of relaxation included repayment of National Credit Corp. funds and the Reconstruction Finance Corp. notice of extensive loans soon to be made. The Glass bill is a major threat to the money markets but probably will not be passed. Eventually, the government financial situation will have a serious effect.

Stock Buyers Await Test of February Low

FURTHER decline of industrial and utility stock prices this week brought the index of 90 stocks down close to the all-depression low made early in February. Railroad issues remained practically stationary. Market activity was at a very low point, declining somewhat from last week. Much of the small activity was of a professional nature.

The dullness and uncertainty represents a continuation of the tone prevailing in recent weeks, accentuated by a series of new unsettling influences. Chief among these was the tax revolt in the House of Representatives, and resulting uncertainty as to tax rates, federal finance and their effect. A still acute railroad situation was revealed by the Presidential conference with the rail chiefs over the week-end. New

weakness developed in some commodity prices. A new low price since 1925 was recorded for a stock exchange seat.

Another week passed without marked evidence of an upturn in business, and each week so passing is another millstone around the neck of the optimist. Finally, publication of first quarter earnings statements nears, and although unfavorable figures are fully expected, their depressing influence probably is not fully discounted.

In the unsettlement and uncertainty the market has largely ignored the possible favorable effect of continuing credit relaxation. The majority of opinion seems to discount any upturn from this factor. The interest, too, in April 1's significance to the bear crowd has subsided somewhat. On that date the exchange ruling that brokers must have express permission to lend stock goes into effect. But those interested are fairly well convinced that there will be no dearth of stock for the shorts.

Judged by the averages the market again is approaching a critical period. With the index within striking distance of the previous low, the results of the impending test of that level will carry wide significance. Ability of the index to keep above that low would be distinctly encouraging.

Shots Fired at Tax Bill Echo in the Bond Market

BOND prices, excepting on government issues, continued the downward course which they started last week. Governments alone held steady, and showed a fractional gain. Railroad issues seemed the weakest of any group.

Nothing of a very concrete nature appears as a cause of the decline although the tax muddle is very disquieting. It seems to be related rather to the uncertainty and doubt which marks the financial community, plus the fact that the slight rallying forces are felt to have lost their force.

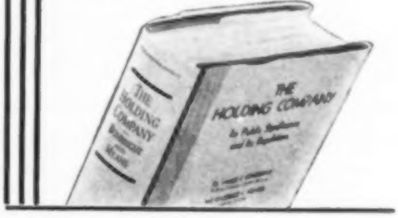
Effect of Tax Fight

The disturbance over the tax bill and the whole federal financial program arises particularly from the possibility of taxation that would tend to force funds into tax-free securities at the expense of corporate ones.

Railroad weakness last week was simply recognition that the situation facing the roads was more acute than generally realized. This week continued the trend then started.

Utilities are considerably disturbed by the steady decline in power output. The foreign section of the market is very unsteady due to the precarious situation abroad. New declines in commodity prices fundamentally affect senior, as well as junior, securities.

Though the continued easing of money rates and relaxation of credit should tend toward strength in bonds it has not thus far done so except for the rally which ended last week. Banks are still confining their bond-buying to governments, and other demands have apparently been fully met in recent weeks.



THE BUSINESS WEEK

The Journal of Business News and Interpretation

March 30, 1932

Economy and Candor

THE analysis of federal expenditures by functions on another page of this issue affords an interesting sidelight on the character of the organized agitation for governmental economy, now the favorite theme-song of after-dinner speakers and syndicated clip-sheet editorials. It is obvious to any honest mind that the attack on the activities of government bureaus is not based on their cost, since it is an insignificant fraction of the total public expenditure. If all the regulatory and service functions of government were utterly abandoned, the saving would be trifling, so that the satisfaction sought must be of a very different sort than that of economy.

There can of course be no reasonable objection to insisting on every kind of economy achieved through increasing efficiency in public services and governmental administration. Such economies are entirely possible in every field of federal and local expenditure.

Vastly greater are the economies that might be made by reduction of the expenses for pensions, special services to veterans, military and naval outlays, and public debts associated with past and future wars, which overshadow everything else in the federal budget. Greatest of all are the possibilities of budget balancing by elimination of tax evasion, especially through restricting tax exempt securities, and prompter collection of local taxes in shorter periods to avoid the payment of usurious rates of interest on tax anticipation warrants to local bankers. The federal government probably fails to collect as much as a quarter billion every year from tax dodgers, bootleggers, and other leading citizens who prefer tin boxes to bank accounts; and the cost of short term financing is an important item of municipal and state expenses.

But do the ardent advocates of deflating the public standard of living by suspending public improvements, closing schools and libraries, curtailing public health work and abolishing protective and regulatory bureaus imperative in our complex civilization, ever breathe a word on these delicate subjects? Do the business men who sign committee reports on public economy without reading them mean to imply that the supplies they sell to governmental agencies—the largest single customer in the country—the power that the public utilities supply for street lighting, the special privileges they secure from local officials, the services of information and advice they seek from government departments in the interest of their own business, shall be cut down? Do the banks that anticipate tax collections by credits to communities at 6%, and pay 2% on the public deposit of tax funds when collected, want this gravy-boat abolished by better tax administration? Do the railroads really want the I.C.C. abolished after the recent rate increase? Do both these lines of business object to receiving the support of the Reconstruction Corporation, although its expenditures on their behalf are the chief factor in the unbalanced budget?

The fact is that the only honest approach to the problems of governmental economy involves increasing the effectiveness of public administration by putting it on a strictly scientific basis under the management of competent officials who will be unconcerned with and incorruptible by the private business interests involved in every aspect of public activity. In the fiscal extravagance that exists, as well as the widespread racketeering that has become the curse of this country, business along with the public is paying the penalty of having constantly encouraged weakness in government or insisted upon keeping in office complaisant public officials to serve their special interests.

We shall make no progress toward economy or honesty in public affairs until American business is willing to face these facts candidly and ask itself what it really wants.

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